Daily Report

Latin America

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FBIS-LAT-95-055 *22 March 1995*

CONTENTS

INTER-AMERICAN AFFAIRS

Brazilian Envoy Verifies Upholding of Cease-Fire *[Madrid EFE]* 1
Gaviria Notes OAS Hope To Streamline Body *[CANA]* 1
Argentina, Bolivia, Paraguay Agree on Dam Construction *[CLARIN 17 Mar]* 1

CARIBBEAN

Cuba

'Expert': Anti-Cuban Bills Contradict UN Stance *[PRENSA LATINA]* 3
Foreign Minister Tours Canada, Views Cuba-Canada Refinery *[Havana Radio]* 3
Reaction to Robaina's Trip *[Havana Radio]* 3
New Cuban Peso Notes To Begin Circulation *[Havana Radio]* 4
Article Views Self-Employment *[PRENSA LATINA]* 4
'Straight Talk' Discusses 'Stolen Goods' *[Havana Radio]* 5

Haiti

Antigovernment Demonstration Staged in Cap-Haitien *[Port-au-Prince Radio]* 6
Former Deputy: Security Situation Threatens Elections *[Port-au-Prince Radio]* 7
Pro-Lavalas Parties Form Common Front for Elections *[Port-au-Prince Radio]* 7
FNCD Leader: Lavalas Platform Not Answer to Unity *[Port-au-Prince Radio]* 8

MEXICO

Finance Secretariat Explains VAT Increase Implementation *[LA JORNADA 20 Mar]* 9
Social Sectors Reject Approval of VAT Increase *[LA JORNADA 20 Mar]* 9
Concanaco President Cited on VAT Increase, Retail Prices *[EL FINANCIERO 16 Mar]* 10
Says VAT Needed To Obtain Fiscal Surplus *[EL FINANCIERO 17 Mar]* 11
Tax Collections Down 24 Billion New Pesos *[LA JORNADA 17 Mar]* 12
Secofi: Imports Substitution Plan 'Successful' *[NOTIMEX]* 13
Nafinsa Increases Support for Enterprises *[NOTIMEX]* 13
Government Secretary Discusses Democratic Reforms *[LA JORNADA 16 Mar]* 14
Banxico Authorizes Futures Transactions *[UNOMASUNO 20 Mar]* 14
Bankers Warn Interest Rates To Increase Matured Loans *[EL FINANCIERO 16 Mar]* 15
Fuji Bank Group To Begin Operations *[LA JORNADA 17 Mar]* 16
Foreign Trade Bank To Increase Credit Budget in 1995 *[NOTIMEX]* 16
CEMAI Urges Businesses To Unite, Increase Exports *[EL FINANCIERO 15 Mar]* 16
Fobaproa To Receive Foreign Recapitalization Funds *[REFORMA 15 Mar]* 17
Study Assesses Banking System's Risk, Performance Levels *[LA JORNADA 20 Mar]* 17
Pemex Director on Reserves, Production, Revenue *[NOTIMEX]* 18
Former Pemex Chief Backs Risk Contracts To Tap New Fields *[EL FINANCIERO 17 Mar]* 19
Construction Industry Backs Zedillo's Efforts *[NOTIMEX]* 20
Gallup Poll: Mexicans Planning To Alter Spending Patterns *[LA JORNADA 20 Mar]* 20
Foreigners React to Effects of Economic Crisis *[EL FINANCIERO 16 Mar]* 21
Report Views Impact of Proposed Secretariats Closure *[Mexico City Radio]* 21
Roundup of Economic Developments *[Mexico City Radio, etc.]* 22
Judge Sentences Ruiz Massieu Killers to 50 Years *[Mexico City TV]* 22
PGR Denies Reports on Involvement in Colosio Murder *[Mexico City TV]* 22
PGR Official on Struggle Against Drug Trafficking *[NOTIMEX]* 23
Informant Points to Government, Drug Trafficking Links *[REFORMA 17 Mar]* 23
Supreme Court Suspends Proceedings Against EZLN Members *[NOTIMEX]* 24
Senate Approves Law for Dialogue in Chiapas *[LA JORNADA 9 Mar]* 24
Army Commander Assesses EZLN Capabilities, Strength *[REFORMA 14 Mar]* 26

Legislative Commission Meets Government on EZLN *[LA JORNADA 13 Mar]* 27
Bishop Ruiz: Turning Point Reached on Chiapas Talks *[NOTIMEX]* 28
Government Detente Measures in Chiapas 'Positive' *[REFORMA 15 Mar]* 28
Peace Commission Coordinator on Government, EZLN Dialogue *[NOTIMEX]* 29
Harmony, Peace Commission Concludes Chiapas Tour *[NOTIMEX]* 29
Human Rights Commission Installs Camps in Chiapas *[NOTIMEX]* 29
Russia To Place Satellite in Orbit 28 Mar *[UNOMASUNO 15 Mar]* 30
Further on Satellite Launch *[NOTIMEX]* 30

CENTRAL AMERICA

Guatemala

President Addresses Copenhagen Summit *[SIGLO VEINTIUNIO 17 Mar]* 32
URNG's Monsanto: Government Abandoned Peace Talks *[NOTIMEX]* 33

Honduras

Finance Ministry Unable To Meet Commitments to IMF *[TIEMPO 16 Mar]* 34

Nicaragua

Minister: Layoff Plan Not To Have Negative Impact *[BARRICADA 17 Mar]* 34
Joaquin Cuadra Views EPS Role *[LA TRIBUNA 21 Feb]* 34
Discusses Arms Sales *[LA TRIBUNA 22 Feb]* 38

Panama

ARI To Start Implementing Reversion Projects *[EL PANAMA AMERICA 16 Mar]* 39
ARI Law Amendments *[GACETA OFICIAL 9 Mar]* 41
ARI Accepts Administrator Chen Barria's Resignation *[LA PRENSA 16 Mar]* 44
Minister, Legislator on Alleged DEA List of Officials *[Panama City TV]* 45
Comptroller General's Report Notes Figures on Debts *[LA PRENSA 21 Mar]* 45
Groups: Labor Code Reforms Unconstitutional *[EL PANAMA AMERICA 21 Mar]* 46

SOUTH AMERICA

Argentina

Menem Admits 'Errors' in Economic Plan *[NOTICIAS ARGENTINAS]* 47
Minister Denies Existence of 'Disappeared' List *[NOTICIAS ARGENTINAS]* 47
Foreign Consulates Closed as Part of 'Adjustment Measures' *[CLARIN 17 Mar]* 48
Provinces 'Tightening Their Belts' To Meet Financial Crisis
[BUENOS AIRES HERALD 16 Mar] 48
Patent Bill in Congress Nearing Approval *[BUENOS AIRES HERALD 17 Mar]* 49
Need for New Economic Adjustment Seen *[Argentina Gopher]* 49
Questions About Reserves, Convertibility Raised *[Argentina Gopher]* 49
Businessmen To Purchase Treasury Bill *[Argentina Gopher]* 50
'Limited' Financing Options Viewed *[Argentina Gopher]* 50
Foreign Firms Responsible for Arms Diversion to Ecuador *[NOTICIAS ARGENTINAS]* 51
Correction to Senate Approves Tax Increases 51

Bolivia

Government Denies U.S. Demanding Aranibar's Exit *[La Paz Radio]* 51
Banzer Resumes ADN Leadership During Assembly *[HOY 16 Feb]* 52

Brazil

Finance Minister Malan Interviewed *[FOLHA DE SAO PAULO 19 Mar]* 52
Finance, Planning Ministers Said at Odds Over Imports *[JORNAL DO BRASIL 16 Mar]* 54
Senator Asks for Leave of Absence Over Drug Charges *[Brasilia Radio]* 54
Government 'Blunders' in Appointing New Officials Viewed
[FOLHA DE SAO PAULO 15 Mar] 54
Decree Grants Powers to Future Intelligence Head *[O GLOBO 28 Mar]* 55
Congress Seeks Rules for Approving Constitutional Reforms *[O GLOBO 19 Mar]* 56

New Brasilsat Being Tested Prior To Launch *[AGENCIA ESTADO]* 56
Demonstrators Protest Constitutional Reform in Rio *[JORNAL DO BRASIL 18 Mar]* 56
Effects of High Interest Rates on Costs Viewed *[O GLOBO 19 Mar]* 56
Consultant Estimates Full Privatization Worth R89.5 Billion *[O GLOBO 19 Mar]* 57
Suspect in Series of Bombings Arrested in Belo Horizonte *[Rio de Janeiro TV]* 58
Poll Probes Public Opinion on Violence, Crime, Police *[JORNAL DO BRASIL 20 Mar]* 58
Correction to Sao Paulo Legislative Composition Viewed 58

Chile
'Firm Stance' Forces UK Ship To Leave National Waters *[Madrid EFE]* 58
NAFTA Negotiating Team Outlined *[EL MERCURIO 25 Feb]* 59

Colombia
Samper Interviewed on Border Situation *[EL NACIONAL 20 Mar]* 61
Attitudes Toward Peace Talks Surveyed *[EL ESPECTADOR 5 Mar]* 63
Efforts To Fight Cali Cartel Discussed *[SEMANA 7 Mar]* 64

Ecuador
Defense Minister on Future Direct Talks With Peru *[Quito Radio]* 68
Government To Change Envoys in Argentina, Colombia, Peru *[AFP]* 69
Country's Military Doctrine Explained *[HOY (BLANCO Y NEGRO SUPPLEMENT) 12 Feb]* 69
Military's Economic Role; Investments Detailed
[HOY (BLANCO Y NEGRO SUPPLEMENT) 12 Feb] 70
Joint Command Chief Discusses Border Conflict
[HOY (BLANCO Y NEGRO SUPPLEMENT) 12 Feb] 71

Paraguay
Central Bank Introduces Money Laundering Measures *[NOTICIAS 7 Mar]* 72
President Wasmosy Views Ties With East Europe *[Asuncion TV]* 73
Correction to Wasmosy Dismisses Possibility of Coup 75

Peru
Military: Ecuador Buying Arms From Bulgaria *[LA REPUBLICA 12 Mar]* 75
Commentator Evaluates Conflict With Ecuador *[EL COMERCIO 11 Mar]* 76
Opposition Calls 2 Generals 'Scapegoats' *[DESCO Gopher]* 77
Report Blames Cost of War for Drop in Support *[DESCO Gopher]* 78
Nugent Reports 12.4 Million To Vote in Elections *[EL COMERCIO 11 Mar]* 78
Majority of Parties To Disappear After Elections *[Madrid EFE]* 79
Notes From Election Campaign 1-7 Mar *[DESCO Gopher]* 79
National Council of Judiciary Established *[DESCO Gopher]* 80
Economic Notes From Media 1-7 Mar *[DESCO Gopher]* 80
Editorial Assesses U.S. Certification in Antidrug Fight *[EXPRESO 11 Mar]* 81

Uruguay
Foreign Minister Views Move To Increase Mercosur Tariff *[TELAM]* 82
Foreign Minister Ramos Interviewed *[EL PAIS 10 Mar]* 82
Central Bank President Discusses Impact of Mexican Crisis *[BUSQUEDA 2 Mar]* 85
Biographies of New Cabinet Members Detailed *[EL PAIS 19 Feb]* 86

Venezuela
Agriculture Minister Resigns; Other Changes Expected *[AFP]* 88
Industry, Commerce Minister Says Resignation 'Final' *[Caracas TV]* 88
Central Bank Presents Plan of Action *[EL UNIVERSAL 12 Feb]* 88
Congress Approves Privatization of CVG Basic Enterprises *[ECONOMIA HOY 16 Mar]* 91
Banks To Restrict New Accounts To Reduce Liquidity *[Caracas TV]* 92
Government Supports Ruggiero's Candidacy for WTO *[Madrid EFE]* 92
Interior Minister Remarks on Existence of Subversive Plans *[Caracas TV]* 92

Brazilian Envoy Verifies Upholding of Cease-Fire

PY2103182095 Madrid EFE in Spanish 1527 GMT 21 Mar 95

[FBIS Translated Text] Lima, 21 Mar (EFE)—Ambassador Julio Cesar Gomes dos Santos, Brazilian President Fernando Henrique Cardoso's envoy, said today in Lima that Ecuador and Peru are "fully" upholding the cease-fire agreed upon in the Itamaraty Peace Declaration. He added, however, that the conflict area must still be demilitarized.

After visiting the Peruvian base PV-1 [Watch Post 1] located on the Ecuadoran-Peruvian border, Gomes dos Santos said that "the main objectives" currently sought by the observers who are supervising the cease-fire are "the separation of forces and the establishment of a demilitarized area."

The Peruvian envoy arrived in Peru on 19 March after visiting Ecuador, where he also verified compliance with the Itamaraty Agreement at the border base in Coangos.

The Brazilian diplomat visited PV-1 in the company of Brazilian General Candido Vargas de Freire, chief of the observers mission; Argentine Lieutenant Colonel Juan Carlos Mancioni, the group coordinator on the Peruvian side; and a group of observers.

Commenting on the results of his visit to the two countries in conflict, Gomes dos Santos said: "They are fully complying with the cease-fire and are willing to cooperate in the fulfillment of other parts of the peace process."

He said: "I am fully confident that the pacification of the Upper Cenepa will be achieved shortly."

Gomes dos Santos declined to comment on the issue of the mines placed by the Ecuadoran military along several parts of the border with Peru, including areas used by civilians, because he said this "is an exclusively military issue."

He added: "It is not a basic issue for the time being. It will become a secondary subject once the military situation is resolved."

Moreover, General Vargas Freire has traveled to the Bagua military base, the Peruvian military operations center during the war, where he will stay for at least 10 days in order to fulfill the observers mission on the Peruvian side.

The undeclared Peruvian-Ecuadoran war lasted 32 days. According to official sources, in all there were at least 300 casualties, including dead and wounded. Well-informed sources report, however, that the casualty figure totals "more than 500."

Gaviria Notes OAS Hope To Streamline Body

FL2203021195 Bridgetown CANA in English 2307 GMT 21 Mar 95

[FBIS Transcribed Text] St. John's, Antigua, March 21, CANA—Secretary General of the Organisation of American States (OAS) Cesar Gaviria Tuesday called for a streamlining of the hemispheric body to "cater to the needs of those States that require its support and collaboration the most." Speaking at the closing ceremony for the 29th meeting of the OAS' Inter-American Economic and Social Council (CIES) here, Gaviria said it "has taken place at a juncture that opens broad perspectives for reviving OAS cooperation in the economic and social development of our nations." He said the transition to the Inter-American Council for Integral Development (CIDI) "is a clear opportunity to revise OAS technical cooperation and make it an effective instrument to better serivce member states." But Gaviria warned that the change "also poses the danger of becoming just another formal change without touching the core of our activities."

"We envision an OAS that caters to the needs of those states that require its support and collaboration the most: an organisation whose activities reflect in practical terms the solidarity among its membership ...," Gaviria said. The OAS head also envisioned "a flexible and open institution that is able to attract financial cooperation from other public and private organizations and governments, and to foster horizontal cooperation. He called on the "stronger American developing countries (to) become donors" which "will enhance solidarity among all countries in the hemisphere."

"An efficient OAS has to limit its technical cooperation to the neediest countries in the hemisphere," the secretary general added.

Speaking on behalf of the Caribbean Community (Caricom) government, Vincentian minister of trade Bernard Wyllie said the region "is pleased with the outcome of the meeting." Wyllie said the secretary-general's statement "dealt with a lot of issues raised by the Caribbean Community in respect to national offices, the need for improving the organisation to make it more efficient and to make it more responsive to the needs of the hemisphere."

Argentina, Bolivia, Paraguay Agree on Dam Construction

PY2103144795 Buenos Aires CLARIN in Spanish 17 Mar 95 p 13

[FBIS Translated Text] Diplomatic tension over the Pilcomayo River eased substantially this week when the governments of Argentina, Paraguay, and Bolivia agreed to construct a hydroelectric dam in the Bolivian town of Caipipendi. The hydroelectric dam will basically serve to prevent the retrogression of this water course, which has been retrogressing 400 km over the past 40 years.

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This decision was made during the initial meeting of the brand-new Trinational Commission for the Development of the Pilcomayo River Basin [Comision Trinacional para el Desarrollo de la Cuenca del Rio Pilcomayo], held in Buenos Aires. This commission was created after a series of strong claims raised by Paraguay, which treats the problems caused by this river in nearly the same manner as Argentina claims sovereignty over the Malvinas Islands.

After electing Argentine Ambassador Adolfo Saracho as commission chairman, the representatives from the three countries—the Bolivian delegation was headed by Vice Foreign Minister Eduardo Trigo and the Paraguayan delegation was headed by Ambassador Jose Fernandez—decided to travel next week to Brussels, Belgium, to negotiate the approval of a $100,000 loan to finance the Caipipendi dam's feasibility surveys.

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Cuba

'Expert': Anti-Cuban Bills Contradict UN Stance

PA2103140095 Havana PRENSA LATINA in Spanish 1624 GMT 20 Mar 95

[FBIS Translated Text] Havana, 20 Mar (PL)—The weekly TRABAJADORES warned today that two U.S. bills to impose an international blockade on Cuba contradict the UN's rejection of that hostile action and promote tension with the governments allied with Washington.

In an article by Nicanor Leon Cotayo, an expert on U.S.-Cuban relations, the newspaper stated that the bill introduced last Thursday [16 March] by Representative Dan Burton and supported by Cuban-born congressmen seems to have the lower chamber's green light.

The initiative by ultraconservative Jesse Helms met a different fate, as the Senate rejected it on procedural grounds, which deep down may also reflect a rejection of its content, the expert stressed.

Both bills (Helms-Burton) encourage the organization of an international blockade on Cuba, although the UN General Assembly has rejected it for the past three years.

In addition, Leon Cotayo noted, they try to place American businessmen, who are demanding compensation for expropriations by Cuba in the 1960's, on equal footing with Cuban-born Americans who fled Cuba after the triumph of the revolution because of crimes they perpetrated under the government of Fulgencio Batista and for other punishable or political motives.

Leon Cotayo warned that the Havana government has never ruled out the possibility of reaching reasonable agreements with the former, but mixing together these businessmen with people who are not involved with the issue of expropriations does not help future negotiations on a matter of such importance to the two sides.

Questioning the control and monitoring center Russia has installed in Cuba constitutes another example of the situation, since this counters the SALT treaty that grants both sides the right to possess the means to monitor each other, the reporter said.

Maybe this set of irrational actions, contained together with others in the text of the legislation Helms and Burton are sponsoring, explain Helms' failure in trying to introduce it as an amendment in the Senate. By the same token, the warm welcome that the French business sector, among others, gave Fidel Castro last week is an indication of the way European allies think about the debates begun in the U.S. Congress, Leon Cotayo concluded.

Foreign Minister Tours Canada, Views Cuba-Canada Refinery

FL2103195895 Havana Radio Rebelde Network in Spanish 1800 GMT 21 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] Foreign Minister Roberto Robaina met today with local authorities in Edmonton, Canada, and participated in the opening of a nickel refinery in a joint Cuba-Canada mining enterprise in Fort Saskatchewan. On the evening of 20 March Robaina arrived in Alberta, in midwestern Canada, as part of his Canadian tour honoring the invitation of his counterpart, Foreign Minister Andre Ouellet. Since arriving in Toronto on 18 March, Robaina has been holding important meetings with Canadian authorities. On 22 March he plans to visit the capital city of Ottawa, where he will carry out two days of official meetings at the foreign ministry, the national parliament, and other government bodies.

Reaction to Robaina's Trip

PA2103160595 Havana Radio Havana Cuba in Spanish 0100 GMT 21 Mar 95

[Report by Esmerida Morales in the station's studios and Karen Von Bernard in Ottawa]

[FBIS Translated Text] [Morales] We would like you to tell us what the Cuban foreign minister will be doing today during his visit to Canada.

[(Von Bernard)] Cuban Foreign Minister Roberto Robaina arrived in Toronto, Canada last night. His first stop was in Alberta, where he visited a joint Cuban-Canadian mining enterprise. He will return to central Canada and to Ottawa, the capital, where he will hold a series of meetings and participate in other activities. Robaina will attend many receptions and luncheons with important people in the city. He will also deliver a speech on changing realities in Cuba today, sponsored by Ottawa's (Frotal) institute, which studies Latin America. This will be an opportunity for Canadians to ask him questions, talk with him a bit, and learn his viewpoints. We also know that Robaina will go to Montreal, Quebec Province, where French is spoken, and afterward he will return to Toronto.

[Morales] Karen, I would like you to comment on the possible repercussions of Robaina's visit. Let us get away from the official media and see what the press and people say. What can you tell us?

[(Von Bernard)] These are very interesting times because the press been publishing articles about Jesse Helms' attempts to pass U.S. legislation. Canadians are not very pleased about this because they view it as a violation of Canadian sovereignty.

Robaina's visit coincides with the publicity surrounding this U.S. bill—a bill that will have a strong impact on Canadian entrepreneurs. Therefore, this will draw even greater attention to Robaina's visit. In addition, this month we celebrate the 50th anniversary of diplomatic relations between Cuba and Canada. Every day there is greater rapprochement between Canadian and Cuban parliamentarians. The Parliament here in Ottawa will hold a ceremony to commemorate the anniversary. It

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seems to me that Robaina's visit comes at a time when Canadians are very interested in seeing Canada maintain an independent policy toward Cuba. Canadians are very open to receiving a minister of the Cuban State. This appears to be a very propitious moment, because we can show the United States that Canada does defend its sovereignty, that Canada has the diplomatic and economic relations it considers appropriate, that we are not interested in having the United States tell us how to conduct our foreign policy, and that we want closer relations between Cuba and Canada.

New Cuban Peso Notes To Begin Circulation

FL2103203395 Havana Radio Rebelde Network in Spanish 1800 GMT 21 Mar 95

[From the "National Radio News"]

[FBIS Translated Text] Cuban peso bills will soon begin circulating in the nation. One- and three-peso notes with a new design will be the first denominations to enter circulation. The remaining denominations used in Cuba will be gradually minted in a modern factory that has been equipped with advanced technology. This investment will be completed concurrent with the production of security paper needed for bank notes. Various institutions have collaborated in the execution of this project, and thanks to the efforts of consultants, engineers, and workers, Cuba has the capability to produce national currency and other security forms for the first time. The bills are the same size as those currently in circulation. The one-peso note will continue to be printed with the image of Jose Marti, and the three-peso note will bear the image of Commander Ernesto Guevara. Among other security measures, each denomination's bills will carry a particular microtext and a computer-generated central border as the background for the number denoting the bill's denomination. Visible red and blue fibers will be incorporated into the bill.

Article Views Self-Employment

PA2103231295 Havana PRENSA LATINA in Spanish 0658 GMT 21 Mar 95

[By Frank Gonzalez: "Self-Employment, an Attractive Source of Income"]

[FBIS Translated Text] Havana—Burdened by severe material shortages but encouraged by signs of the country's recovery, Cubans have found in self-employment a new source of income, which is becoming more and more attractive.

According to government statistics, more than 170,000 people, in addition to those who work without official control—that is, tax evaders—hold permits to engage in more than 100 professions and trades, for a number of reasons.

The self-employment boom is a recent concept and part of the changes Cuba underwent in the past two years to adapt its economy to the complex situation in which it was trapped resulting from the demise of the Soviet Union and the collapse of the socialist system in Europe.

The profitable conditions of trade and cooperation with former allies made it possible for Cuba to maintain for more than 30 years a full employment policy and a vast system of gratuities and social security despite the embargo imposed by the United States.

Under these circumstances, self-employment existed but was limited to a certain number of occupations. In addition, authorities were noticeably reluctant to issue the corresponding permits.

Decree-Law 141 of 8 September 1993, which authorized self-employment in more than 100 fields, signaled a strategic change whereby the government took the initiative with an open invitation to participate in the new work style.

According to the decree, self-employment excluded university graduates, whom the government can probably hire and who represent nearly 5 percent of the island's population.

Nevertheless, because of the Cuban people's high level of education, computer programmers are commonly seen working as businessmen, air traffic controllers as craftsmen, and designers as food preservers. Their income can be 10, 15, or 20 times that of those with comparable or higher training and who depend on their salaries at some state agency.

Something similar is happening with retirees, housewives, and other low income people for whom the opening has meant an important source of income. These people have clients who have high purchasing power and are eager to buy almost anything.

There was in Cuba halfway through last year a circulating surplus of currency of approximately 12 billion pesos, equivalent to $12 billion according to the official rate. This surplus was caused by the disbursement of large sums of money by the state for salaries, subsidies, and social expenses despite the drastic reduction in the supply of products.

The social differentiation provoked by the space given to personal private initiative, a consequence of the new policy, will gradually become evident in a state that still believes all its citizens are equally entitled to free services, such as health and education.

Substantial subsidies to the basic family basket, distributed through rationing cards, and a vast social security system are another benefit at the service of all Cubans regardless of their income levels.

Nevertheless, the opening of agricultural and industrial markets governed by supply and demand have expanded the consumption alternatives for those with money. This factor is another that encourages personal enterprise.

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After the initial avalanche of up to 1,500 daily applications resulting from the approval of the decree-law in 1993, the number of applicants dwindled to about 150 daily. Certain analysts believe the self-employment alternative is about to be depleted, because only 130 applications are now authorized.

The country's leading authorities agree on the need to expand the number and type of activities permitted by the law so far. The role of self-employment as a temporary or final option for thousands of workers who would be left jobless as government enterprises and organizations progress toward greater efficiency and profitability would be enhanced.

President Fidel Castro referred to this matter during the recent Cuban Women's Federation Congress, where he favored the expansion of self-employment, because, he said, some kind of occupation must be procured for the people if there are no available jobs in manufacturing plants.

Castro also remarked on the need to consider the potential development of small- and medium-size enterprises, including the government's role and participation in them.

According to experts who watch the progression of the Cuban economy, self—employment could absorb as many as 350,000 people in the next few years, or 10 percent of all workers in the country.

Although this form of work demonstrates positive results by creating new jobs and expanding and diversifying the supply of goods and services, an analysis of its final impact on Cuban society seems to be premature.

'Straight Talk' Discusses 'Stolen Goods'

FL2203022695 Havana Radio Rebelde Network in Spanish 1700 GMT 10 Mar 95

["Straight Talk" program with host Juan Carlos Roque Garcia and guests Renato Recio and Eloy Concepcion, from TRABAJADORES newspaper]

[FBIS Translated Text] [Roque] Good afternoon. We begin today's program with a recent item from the NATIONAL NEWS AGENCY. It states that the key issues discussed at the third Ultra Stores efficiency assembly included missing goods, labor force discipline, vigilance, and protection. The issue of missing goods was prompted by the results of the store's last audit, which revealed that in January alone, 7,000 bars of soap and 2,000 bottles of oil were reported missing, to name just two examples. This is disturbing—more than disturbing—so today we are going to address the issue. As I was saying, this is a disturbing problem because the efficiency assemblies are focusing attention on many of society's problems. However, it is incomprehensible to me how this type of store could lose 7,000 bars of soap and 2,000 bottles of oil in one month.

[Recio] This is a very large store, which does not justify the losses, but the quantities must be considered in the context of the size of the store. To me, it also seems significant that this was reported at the efficiency assemblies. However, it is even more significant that they are calling them missing goods [faltantes]; these are stolen goods. The soap did not simply evaporate, the oil did not just melt into the ground—nothing of the sort. They did not self-destruct; I therefore, think the euphemism, missing, must be struck from the nation's lexicon. We should call stealing stealing, and this is stealing. Now, who stole the goods, and why? How can theft be avoided? These, I think, are the three major problems to resolve.

[Concepcion] We are talking about a large store that charges in foreign currency. That makes it even more disturbing, given that Cuba is in great need of foreign currency and these stores were opened in that pursuit. I am very concerned that the insufficiencies, errors, and defects that have been occurring for a long time in stores that do not charge in foreign currency are now occurring in these stores. Renato was asking why the thefts are occurring. I personally believe the first contributing factor is lack of control and vigilance on the part of management, at all levels, not just the department heads at Ultra, or the Ultra store manager, but everyone, including Ultra's top management. It seems to me that this is a truly serious problem in our society, and we should approach it realistically. I completely agree with you, Renato, as we have said before, that the words, missing goods, should be totally banned, including in stores and warehouses that use the phrase. They should be calling them stolen goods. Theft is theft; what is missing has been stolen. In the case of the Ultra Store—the merchandise stolen from the store, not the warehouse, but from the store—could have been due to a lack of control by the employees. Later you see this soap and oil that should be bringing in foreign currency on sale a little cheaper on the street, even in front of the very same store.

[Roque] According to my quick calculations, this store lost some $7,600 with the disappearance of 7,000 bars of soap and 2,000 liters of oil.

[Concepcion] Yes, and these are the figures for only two products over the period of just one month. The news item cites examples of additional products. All this makes you think. If we assume that those who went to the store supposedly to purchase merchandise took the merchandise, it is worthwhile to invest in security personnel who would install rigorous controls, using whatever steps and disciplinary measures are necessary to assure there is no thievery. However, if the problem stems in part from employee theft, then the management must implement strict controls because the spread of this situation is unacceptable. To me it is truly shameful that the stolen goods are being sold right in front of the same store they were taken from. Logically, if you are selling something cheaper than the store, it is because you acquired it illegally.

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[Roque] There must be tacit, strict control over the merchandise, from its storage in the warehouse to display in the stores to its ultimate sale. The enterprise must have daily inventory controls that indicate what was sold and what remains. I must confess, I can't believe that a store like this, a dollar store, would have such a lack of control.

[Concepcion] I would like to have been present at the efficiency assembly to see if measures were truly taken: How many workers they fired, how many department heads, or managers—if they were involved—they fired, and to see if the Cimex Corporation also took steps against those officials who manage this type of stores. I do not believe this information was given. We could benefit from this information. I think it is important to know because this is a serious situation. It is disturbing to see people selling cans of soft drink, beer, oil, and bars of soap out in front of stores in Havana and other locations, much cheaper than you can buy them inside. These products are taken illegally; they are stolen, or result from wholesale sales or some other method that facilitates sales at a much cheaper price than the state stores, which are sacred because they have been instituted to collect foreign currency to solve the difficult problems we face today. It is shameful that these things are happening.

[Roque] I would say we are really talking about ghost (fantasmas) controls, because who can possibly believe that 2,000 bottles of oil and 7,000 bars of soap can be missing from just one store. I do not understand that.

[Recio] Yes, I think you hit on the key issue when you noted the need for a daily, more systematic method of inventory control. Stores are divided into departments with different areas, and employees are assigned to these areas. Thus, every employee should conduct a daily balance, and see how much was sold at the end of the day. There is no need to wait for external auditors to come, to discover problems after a whole month goes by. Control should be done daily and permanently, this is the only means of control, when people are interested, and—I am going to suggest an idea—when they feel affected by these problems.

A time comes when store workers or department managers do not care what happens when goods disappear—if no one is disciplined by management, or has to pay a penalty.

[Concepcion] We are referring to a sector where workers and managers receive more incentives than most Cuban workers do. We agree with this policy, but we believe the demands on them should also be higher. They should set an example of dignity and ethics in the service they provide, in the efficiency that society demands. Cimex corporation and other corporations operating these foreign currency stores should have superior efficiency, which we demand from all, and which we particularly demand from them, because Cuba needs foreign currency to buy food for the people, to maintain what we have so fittingly called our more beloved and meaningful achievements. Control needs to be efficient, and those responsible for the thefts must be punished.

[Recio] We have reached a significant conclusion: It is necessary to demand efficiency from foreign currency stores, which can employ a rational work force, offer incentives to workers, have a vast amount of stock available for sale, and all conditions must be efficient. These stores should be the model for the future Cuban business. It is therefore important to end delays and act quickly.

That such a self-critical assembly is possible—as happened in the stores—is an indication that workers, managers, and unions are capable of initiating serious goals to change a situation. They need to effectively establish areas of responsibility, exercise daily controls, and hold worker mobilizations, adding more people to vigilance when needed.

I agree with Eloy when he rightly states that Cuba is being robbed when things like this happen. Thieves are not only hurting a store, an owner, not even a corporation, but the whole country. They are stealing medicine, infant food, and the possibility of recovery, because without foreign exchange—as we stated many times—Cuba cannot end the special period. Theft has serious consequences and is therefore inadmissible.

[Recio] I am glad that you pointed out the unions' role because they should work toward smooth sailing. Unions should not focus on solving problems in specific sectors, but should oversee the control to assure that no thefts take place and that there is organization.

[Concepcion] The efficiency assemblies, due in part to the unions' efforts, can play an important role. Efficiency is not possible in a place where goods and thousands of dollars are lost. Efficiency is no mere ideal; it needs to be put into practice through action. I hope that this assembly and the publication of this news can help to create a conscience in most of the workers, who are responsible people. They are honorable people who will not be corrupted or permit others to come and steal the goods that also belongs to them.

[Roque] I agree. We need to nip these problems in the bud. Thanks.

Haiti

Antigovernment Demonstration Staged in Cap-Haitien

PA2103192195 Port-au-Prince Radio Metropole in French 1145 GMT 21 Mar 95

[FBIS Translated Text] The first antigovernment demonstration was staged yesterday in Cap-Haitien. Several hundred people took part in the protest against the foreign occupation, the high cost of living, and the government's privatization plans. Some disturbances

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erupted during the protest, including one in which an Argentinian policeman was attacked by a mob threatening to set fire to several warehouses. Threats also were made against the government. Here is an interview with a journalist from a radio station in Cap-Haitien:

[Begin unidentified journalist recording, in Creole] The demonstration started out uneventfully, but around 1400, the mood of the protest changed when demonstrators arrived at the office of the government's northern delegation and started burning a tire. A number of Argentinian policemen and international monitors were at the scene. After Argentinian policemen arrested a demonstrator, a mob trampled one of the police officers while trying to free the apprehended demonstrator. The protesters then attacked the policeman, who drew his pistol. It is unknown whether he opened fire. This is when U.S. soldiers arrived and the demonstrators were dispersed. U.S. soldiers then extinguished the burning tire, while others went upstairs to provide security for the delegate. Right now, everything is very calm. Some U.S. soldiers are still stationed at the office of the northern delegation. [end recording]

Let us try to get a better understanding of yesterday's demonstration in Cap-Haitien—a demonstration against the government and its privatization program. It should be noted that the demonstrators set up barricades of burning tires on the streets of Cap-Haitien.

[Begin unidentified demonstrator recording, in Creole, in progress] ...mobiiize the poor [words indistinct]. Let us stand up and ask Aristide what we voted for on 16 December—to return with Rene Preval. We do not want Smarck Michel. We do not want him because the cost of living is higher.

We see nothing has changed. Fat cats are making deals. The cost of living is high. We thought we would eat chicken when Aristide returned. Now, we cannot even buy yams. If nothing is done, a high price will be paid. We are warning that if the cost of food does not go down, we will burn everything. We will burn everything, I say. Yes, we will burn everything. When we say this, we mean it. We are determined in our decision. We are willing to die to ensure that the price of food goes down. We are willing to die in order to change things. We are willing to die to [words indistinct]. [end recording]

Former Deputy: Security Situation Threatens Elections

PA2103233595 Port-au-Prince Signal FM Radio in French 1130 GMT 21 Mar 95

[FBIS Translated Excerpt] Certain national sectors blame laxity by the authorities for the climate of insecurity that prevails throughout the country, especially at polling time. As the upcoming elections draw near, political parties must try to circumvent this problem. This is according to Gerard Evanns Beaubrun, former deputy in the 45th legislature. Mr. Beaubrun thinks that the Haitian police should authorize political leaders to ensure their own security during the electoral campaign.

Dr. Beaubrun, speaking in an exclusive interview with Signal FM, criticized the Provisional Electoral Council's [CEP] management of the upcoming elections. The former official, who is now in the running for a new mandate, says that the CEP is dominated by the executive. Let's listen to an excerpt of this interview.

[Begin Beaubrun recording, in Creole] Well, we must face the elections with a lot of courage, since there's a lot of danger during this, our country's crucial situation. First, there is the enormous insecurity that has affected many, many people. It doesn't just affect one person. And when one person dies, dozens of families cry. We know that this insecurity is an extremely important issue. And it is this situation that the forces in the field do not... [pauses] One does not see what they are doing to address... [pauses] to allow people to approach the elections with a certain amount of serenity.

The second big danger is that of hunger. That is, how can a people be asked to go into elections while they are hungry, while the cost of living is very high? The cost of living is extraordinary. I'm tempted to say that it is worse than when we were under the embargo. [passage omitted] The third big danger for many sectors—and for me too—an important danger is the executive's tendency to monopolize electoral structures, even to monopolize the electoral ballot. [passage omitted] [end recording]

Pro-Lavalas Parties Form Common Front for Elections

PA2103135895 Port-au-Prince Radio Metropole in French 1700 GMT 20 March 95

[From "The Midday Newscast"]

[FBIS Translated Text] Just months before the 4 June municipal and legislative elections, the OPL [Lavalas Political Organization], PLB [Open the Gate Party], and MOP [Movement For the Organization of the Country], three political parties close to President Aristide and which include members of his government, signed an agreement to form a common front during the electoral period. Their slogan: Rendezvous around the table. Rothschild Francois, Jr. has the details:

[Francois] In presenting this political platform, the MOP, PLB, and OPL intend to gather all the forces for change around the table. The objective is to rewrite the 16 December 1990 coup by winning the upcoming elections and satisfying the population's demands.

This political platform says it entered the race to change living conditions in Haiti, to implement the bases of a state of law, and to create a democratic state where everyone will have rights and duties; a state that will be based on justice, transparency, security, and peace. The

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Lavalas Organization proposes a state whose priorities are economic, social, and cultural progress and respect for national territory.

As for economics, the Lavalas Organization recommends a reconstruction policy based on a reevaluation of local production, the end of monopolies, and a new monetary policy where everyone has access to credit. Without specifically mentioning privatization, the Lavalas political platform indicates that the group will defend the rights of the poor when the state is forced to democratize some of its societies. Lavalas also advocates a political platform of social compensation with all Haitians participating in the country's affairs.

The group favors the right to vote for Haitians living abroad and the recognition of dual nationality. The formation of a Lavalas parliamentary bloc in the Chamber is also foreseen. Furthermore the platform indicates that it will continue to work with the international community with mutual respect.

Here are some of the major themes of the Lavalas political platform, which are intended to convince voters in the 4 June ballots. Irvette Chery of the OPL, Carole Joseph of the PLB, and Jean-Max Andre of the MOP signed the document to form the front.

There is a noticeable absence around the Lavalas platform table today. KID [Confederation of Democratic Unity], PNDPH [National Progressive Democratic Party of Haiti], and CONACOM [National Congress of Democratic Movements], which rallied as the FNCD [National Front for Change and Democracy] in 1990, are missing, which signifies the break between the Lavalas players who were in first place during the electoral competitions in 1990. With the formation of this political platform, Lavalas has signed the death warrant of the quality rooster, the logo of the Lavalas family in 1990.

FNCD Leader: Lavalas Platform Not Answer to Unity

PA2203015995 Port-au-Prince Radio Metropole in French 1700 GMT 21 Mar 95

[FBIS Translated Text] The leader of the FNCD [National Front for Change and Democracy], Evans Paul, says that the Lavalas platform does not represent the unity that the population is seeking.

[Begin recording] [Paul, in Creole] For a few weeks now, there have been attempts to approach the issue of unity with an awareness of the situation facing the country. This has entailed the entire democratic force rallying to face the difficult reality facing the population. Unfortunately, some meetings were either boycotted by an organization, or by those that were agreeing to do so. It also seems that meetings were held by the other side to which the FNCD was not invited. We heard on the radio, just like everybody else, that an alliance had been formed.

We think that in democracy—speaking about political pluralism now—new political parties can be created, as can some new alliances—but we know that this isn't the kind of unity that people are waiting for. This isn't the kind of unity that will help us face this difficult political reality. KID [Congress For Democratic Unity] and FNCD have always advocated the need for real unity. We are always ready to participate in real unity, without any falseness, without demagoguery. We are not here just to be part of some electoral unity. We want unity that lasts at least five years.

[Reporter Francois, in Creole] Mayor Evans Paul, is there any chance that FNCD will merge with the political platform Lavalas?

[Paul] We think we should. That's what the population expects; that's what would be good for the country. We are very open to real unity without demagoguery. That is why we don't approve of the politics of my way is better, the politics of denigration, the politics of slander. We think that politics should not be a matter of macoutes participating or not participating, of people who staged the coup d'etat or those who didn't.

We must begin some real debates about the country's real problems. That is why, within KID and FNCD, we want to wage a high-level campaign based on truth, honesty, and a realistic, rational political approach. [end recording]

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Finance Secretariat Explains VAT Increase Implementation

PA2103172295 Mexico City LA JORNADA in Spanish 20 Mar 95 pp 1,20

[FBIS Translated Text] The Finance and Public Credit Secretariat [SHCP] said yesterday that the 50-percent increase in the value-added tax (VAT), which will go from 10 to 15 percent in April, "should not be viewed as an isolated measure" because it is part of the government's economic program "to put finances on a sound basis, increase internal savings, help reduce interest rates, and curb price increases."

The Secretariat issued a press bulletin stating that the VAT increase, proposed by the government and approved only by PRI [Institutional Revolutionary Party] legislators, will compensate for the drop in government revenues and bolster public savings. Likewise, "it will benefit the state treasuries by increasing their revenues."

According to the SHCP, collection of the VAT resulted in 39.798 billion new pesos in revenues in 1994. That amount represents 24.40 percent of the federal government's tax revenues, which totalled 160.128 billion new pesos last year.

Following the Income Tax (ISR), through which the government collected 71.721 billion new pesos last year, the VAT is second on the government's revenue list.

With this new measure, which was rejected by the opposition in the Chamber of Deputies and Senate, the government could collect 58.619 billion new pesos' this year, provided the economic crisis does not abate consumption levels that generate this revenue.

The SHCP press bulletin issued yesterday said the idea behind this 50-percent increase in the VAT and the implementation of modifications to the ISR—granting a fiscal bonus to workers who earn up to the equivalent of four times the minimum wage and increasing the direct tax deduction percentage for those who engage in business activities—is to provide a direct solution to the country's financial and economic problems.

The SHCP considered it "a relevant aspect of this reform" that the sale of nonindustrial agrarian and livestock products will maintain a zero VAT throughout the production, marketing, and consumption chain "so as not to affect the agriculture, livestock, and fisheries sectors. This means the essential part of basic consumption is not taxed."

The bulletin explained that, within the VAT reforms, it was considered appropriate to maintain a 10-percent general rate at the border region so as not to affect the competitiveness of Mexican businesses in that zone.

The SHCP added that the modifications include an increase in the fiscal bonus for those who earn up to the equivalent of four times the minimum wage. The approved mechanism implies a 3 percent increase in the available income for workers who earn the equivalent of two times the minimum wage, but it also benefits those who earn up to four times the minimum wage, it said.

The secretariat reported that, effective 1 September, a provision will be implemented to maintain the zero VAT rate in sales of manufactured products and medicine to the public so the "taxation" of these products, which occurs in previous phases, will be subject to that general rate.

According to the SHCP explanation, "all phases will be taxed with the general rate," and a zero percent tax will be applied when the sale is made to the ultimate consumer, so the cost of goods purchased by the final consumer will not increase. Therefore, whoever sells to the final consumer may "recover the VAT he paid by requesting a reimbursement."

Social Sectors Reject Approval of VAT Increase

PA2203015495 Mexico City LA JORNADA in Spanish 20 Mar 95 pp 1, 18

[Report by David Carrizales, Jesus Moreno, Angel Amador, Jesus Narvaez, and Luis Boffil]

[FBIS Translated Text] Yesterday in Nuevo Leon, Sonora, Zacatecas, Nayarit, Yucatan, and Tamaulipas, various social sectors, including businessmen, members of the clergy, political parties, and citizens groups, voiced their rejection of the approval of an increase in the value-added tax (VAT).

There was an outbreak of violence in Monterrey when a group of disgruntled individuals angrily complained about two Nuevo Leon legislators for approving the initiative.

Senator Maria Elena Chapa and Federal Deputy Eloy Cantu Segovia, both members of the Institutional Revolutionary Party (PRI), faced the anger of citizens who rebuked them for voting in favor of the increase as they were leaving a television station where they had defended their position during a local broadcast minutes before.

The incident was about to degenerate into violence when supporters of the PRI legislators shoved the verbal aggressors, telling them "you take our dollars away," adding: "You resent (the increase), because you will not be able to spend the money in the United States anymore."

The demonstrators responded, chanting slogans such as "Salinas to Almoloya," "who killed Colosio?," "enough with the lies," and "the people are tired of so much dirty dealing."

State Public Security (SPE) agents protected the legislators while they got into a vehicle and intervened between the conflicting groups, thus preventing more serious consequences.

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Bursting into tears, Senator Chapa said these reactions are the price PRI legislators must pay for "sacrificing praise for duty."

Also in Monterrey, Jorge Padilla Olvera, a federal deputy of the PAN [National Action Party] and secretary of the congressional Finance Commission, asked that Miguel Mancera Aguayo and the members of the economic cabinet resign from their respective posts out of "dignity" in light of the erratic manner by which they have handled the national economic situation.

Businessmen and Clergy in Sonora Reject Increases

In Sonora, approximately 600 members of the Hermosillo Union of Consumers staged a meeting in the city center, where they asked for the removal of the PRI and the creation of a new government system. They also protested increases in electricity and gas fees.

Enrique Salgado, president of the Business Center of Northern Sonora (CENS), said the people will find a way to get back at their deputies for not heeding their request to vote against the VAT increase.

Myrna Rea de Lopez, leader of the National Chamber of Commerce (Canaco), censured the "ease with which the legislators have approved the VAT increase." Also, Faustino Fernandez, vice president of Coparmex [Employers Confederation of the Mexican Republic] in northwestern Mexico, said the government would not have to increase the VAT if the public sector reduced its real expenses 15 percent instead of only 9 percent. Furthermore, he criticized tax increases used to maintain a bureaucratic system that no longer works.

Carlos Quintero Arce, archbishop of Hermosillo, said the measure "will trigger more unemployment due to the closing down of companies" and said the increase's approval is clear proof the people's representatives do not heed the people's voice but, rather, only follow the presidential "line."

Consumers Are the Most Affected

Zacatecas Canaco President Francisco Javier Perez Arellano said that with the VAT increase, "many firms will close definitely or temporarily during the coming months." Furthermore, he admitted consumers are the ones that will be most affected by this measure, because large-, medium-, and small-scale businessmen will only transfer the tax to the final price of their products.

Meanwhile, at the inauguration of the second regular period of sessions of the local congress in Tepic Nayarit, legislators of the Party of the Democratic Revolution (PRD) and the Party of the Socialist Revolution (PRS) took the stand to "reiterate the people's unconformity with the economic measures taken by the federal government."

Yucatan garment industrialists and small merchants demanded that their top organization, the Business Coordinating Council, organize protest marches and labor strikes.

Raul Martin Argaez, a local leader of the Retail Business National Chamber of Commerce, said that the VAT increase has placed more than 10,000 small businesses on the brink of bankruptcy and that mass closures will occur very shortly. He asserted that retail merchants have seen their sales drop up to 50 percent and their business decapitalize up to 30 percent.

The leaders of the Business Center and the Chambers of Commerce, Industry, and Restaurants in Nuevo Laredo condemned the VAT increase, because it will have a negative repercussion in the long term although it does not affect the border area directly because of their commerce with states in the southern part of the republic.

Concanaco President Cited on VAT Increase, Retail Prices

PA1703224095 Mexico City EL FINANCIERO in Spanish 16 Mar 95 p 26

[FBIS Translated Text] The nation's organized merchants have said increasing the value-added tax (VAT) from 10 to 15 percent is an undesired move, albeit necessary. They added that if the National Congress fails to approve the increase, the level of confidence the country is seeking will not be realized, "and things will remain the same."

German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce (Concanaco), made these statements yesterday, adding that, if the VAT does not increase, the government will seek other forms of income, "most likely by reducing spending on social projects."

By increasing the VAT, the federal government wants to gain a small edge in fiscal management. "We believe that once this goal is achieved, the tax can be lowered again," but that is impossible at this time.

Meanwhile, Santiago Macias, director general of commercial policy of the Commerce and Industrial Development Secretariat, said the next stage in the agreements process will be to increase nearly all consumer goods prices, but these hikes "must only reflect increases based on the new economic program."

In an interview conducted during ceremonies marking International Consumer Rights Day, he said agreements can only be reached in the next phase of the process if the private sector assumes a leadership role.

In this new stage, Gonzalez explained, it is expected that prices for end products that use imported materials will increase by about 45 percent, while end products using domestic materials—those not requiring imported materials—will rise by 25 percent.

Business cannot lower prices, considering 700,000 businesses are just surviving and are on the verge of bankruptcy, which in turn would lead to higher unemployment for the country.

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Gonzalez revealed that Concanaco is working with the Office of the Federal Attorney for Consumers (Profeco) to find ways for stores to create special price packages for staple items. The project should be ready by the end of next week. The delay stems from the fact that the two sides are trying to ensure these lists do not include any slow moving products—products that have a low turnover and are therefore sold at discount prices.

Regarding the loss of jobs, the Concanaco president noted that figures provided by the Mexican Social Security Institute show that about 200,000 job sources have dried up so far. Some 60,000, or 30 percent of these, were in the retail sector.

Some degree of economic recovery is expected by September, "and we hope to end 1995 with losses for less than 2 percent."

He said the country's general situation will not improve until next year, when there may even be some growth in the economy.

During a Profeco forum entitled "The Instruments for Consumer Protection," Gonzales Quintero reaffirmed that retail businesses cannot, at this time, lower prices, especially considering that the sector saw no profits in 1993 and 1994. If this were not bad enough, he stressed, the outlook for business in 1995 is very troubling. Although there is sufficient supply, the consumer's purchasing power has diminished to almost nothing.

Under Mexico's current crisis, it is hard to think that business wants to increase prices. This would "punish" merchants instead of helping commerce, because sales would drop even further.

He said charges that merchants are hiding goods to drive prices higher are simply a myth. "At this stage of the crisis, it would be impossible to do such a thing."

As of today, there are no shortages and no stockpiling. That may have been true in other times, but not now. Retailers have to sell their products, because they need the liquidity.

Regarding the lack of price labels on products, the Concanaco president said that in light of the technological improvements in stores, pricing labels are no longer needed. All information is contained in the bar code.

Smaller stores, Gonzalez Quintero suggested, should use price lists instead, because this lowers expenses that drive up the end price.

Says VAT Needed To Obtain Fiscal Surplus

PA1903130695 Mexico City EL FINANCIERO in Spanish 17 Mar 95 p 4

[Report by Isabel Becerril and Gerardo Flores]

[FBIS Translated Text] German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce [Concanaco], has said that although foreign investors endorse the Action Plan To Strengthen the Agreement of Unity To Overcome the Economic Emergency, they continue to take their money out of the country because strong domestic opposition to an increase in the VAT [value-added tax] has prompted more mistrust and uncertainty in the economy within Mexico than overseas.

He added that approximately $8 billion, virtually all of Bank of Mexico's reserves, have been taken out of the country. This capital flight has been exacerbated by foreign investors who regard Mexico as unsafe and unprofitable. The only capital the country can depend on at present is an IMF loan. The federal government has decided to raise the VAT from 10 to 15 percent, because this is the only way to obtain the money necessary to "straighten out" the economy. This decision "is the least damaging alternative."

If this move is not implemented, the repercussions for the country will be much more serious. The first effects of refusing to accept this measure is that exchange rates and interest rates will increase. Unemployment would reach unprecedented levels, and "in four months there would be between 4 million and 5 million unemployed Mexicans." Gonzalez Quintero added: "The government did its part. We think we should support the government solution as long as a better alternative is not found."

Interviewed by EL FINANCIERO, Gonzalez Quintero said Mexicans should try to understand the country's problems. If the country fails to secure a fiscal surplus, which the government intends to do by increasing the VAT, other countries will not lend any money to Mexico, it will be impossible to obtain work, and the country will inevitably fall behind in its payments, he said. Although the federal government is willing to tighten its belt by streamlining bureaucracy, the effects will not be seen this year, but in 1996.

He noted that the entire private sector is working to improve the economic program. No additional taxes can be imposed on industry, because profits are gone, industry could not pay the additional taxes, and the government would fail to obtain the money it needs. "If different taxes are imposed on producers, the consequences would be even more serious, because industry would be wiped out." It must be clear, he said, the program is not intended to help businessmen, but industry, which creates jobs and wealth.

In discussing the program, he said that perhaps its most serious problem lies in the tax on medicines and processed food, "because this hurts people the most." Although the VAT will only be applied to medicines and food in the production and distribution chain, thereby preventing consumers from absorbing direct costs, small retailers will be hard hit. Every month, these small businessmen will have to request VAT reimbursements from the Finance Secretariat. In other words, the measure will lead to increased red tape and bureaucracy.

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The most serious aspect, however, is that, because these small businesses lack the infrastructure required to efficiently carry out this collection process, the easiest way for them to recoup the additional cost is to pass it along to the consumer. In addition, the measure entails the risk of causing shortages of medicines and food.

Tax Collections Down 24 Billion New Pesos

PA2003035295 Mexico City LA JORNADA in Spanish 17 Mar 95 p 40

[Report by Roberto Gonzalez Amador]

[FBIS Translated Text] The Finance and Public Credit Secretariat (SHCP) reported yesterday that during 1995 the federal government will need at least $29 billion to meet interest payments and installments on its foreign debt, as well as Federation Treasury Bond (Tesobonos) maturities. It indicated that during the first two months of the year, tax collection was down 24 billion new pesos.

Alejandro Valenzuela del Rio, during a news conference to introduce him to the media as government spokesman for economic emergency matters, said that the government must pay $6 billion in interest payments on its public foreign debt this year. During the same period, he added, capital payments will reach $11 billion.

In addition to the $17 billion in foreign debt payments, the federal government must set aside $12 billion to meet Tesobono maturities. The government will need a total of $29 billion to honor these three obligations this year alone.

Valenzuela explained that as of yesterday, outstanding Tesobonos on the money markets totaled $17.8 billion. According to adjustment plan projections, outstanding Tesobonos still in the hands of the public should total $5 billion by the end of 1995.

Although reports issued by the SHCP itself indicate that government spending has risen by 4 billion new pesos during January and February, due only to the rising interest rates—the leading indicator reached 82 percent this week—Valenzuela explained that the public sector will make readjustments in the budget in order to cut spending "as much as possible."

He indicated that the "adjustment" will not include funds allocated to non-programmable expenses, under which fall financial interest and capital payment obligations. "This type of expenditure is therefore unmanageable."

The economic cabinet spokesman said that if the value added tax (VAT) increase is approved, budget income will increase to 25.55 percent of the GNP, versus the original plan's 24.63 percent figure.

Alejandro Valenzuela added that net payments will increase from 24.15 percent of the GNP, as stated in the Agreement of Unity to Overcome the Economic Emergency, signed last January, to 25.08 percent of the GNP. "It is important to point out here that interest payments are the main contributor to the increase."

Banks Will Not Be Allowed To Overdraw

The economic crisis program spokesman announced that a new reserve fund system will go into effect today for internal credit transactions. Under the system, banks overdrawing on the accounts they hold at the Bank of Mexico will have to compensate such excesses with deposits for at least the same overdrawn amount.

The measure will allow the average daily net credit the Central Bank grants the banking sector by way of the so-called "single account" to level at zero. This in turn will help the Bank of Mexico regulate "the Mexican economy's cash flow more efficiently."

In what was the first news conference by the government's spokesman for economic emergency matters, Alejandro Valenzuela summarized the previous week's economic news. He highlighted that the Bank of Mexico's domestic credit figures for January and February 1995 had decreased by $517 million and that the trade balance had shown a $452 million surplus during the first two months of the year.

The official also announced that the federal government has 14.5 billion new pesos for agrarian and livestock production support programs. The funds will be distributed as follows:

The National Company for Basic Commodities [Conasupo] will receive 4.5 billion new pesos and the Program of Direct Support to the Countryside will receive 5 billion new pesos. The rest will go to other ongoing programs at the Agriculture Secretariat.

He added that the government will change the way in which Conasupo has been operating. Prices will be established on a regional basis for each state, taking into account the price in international markets and applying a subsidy for merchandising costs.

Valenzuela del Rio said that the National Rural Credit Bank [Banco Nacional de Credito Rural] has 6.1 billion new pesos for this year "to support low-income farmers with viable and profitable projects."

Likewise, the overdue debt portfolio restructuring process for agricultural farmers may have access to the 65 billion new pesos available to banks for renegotiating their clients' outstanding debts.

The economic plan's spokesman said that the 0.8 percent monthly increase in electricity prices for irrigation purposes will continue, as agreed and announced recently. The price of ammonia will remain fixed for the rest of 1995, which seeks to prevent the devaluation from affecting fertilizer costs.

He affirmed that "we are not expecting any reduction in agricultural production, as there are more funds available for credit now than there were last year."

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Secofi: Imports Substitution Plan 'Successful'

PA2003034695 Mexico City NOTIMEX in Spanish 0157 GMT 19 Mar 95

[FBIS Translated Text] Guerrero Negro, 18 Mar (NOTIMEX)—Herminio Blanco Mendoza, head of the Commerce and Industrial Development Secretariat (Secofi), said today in this Baja California Sur town that the imports substitution program "has been successful."

He said that this program has reduced the current account deficit to $80 million in the first two months of 1994, in comparison with the same period in 1994, when there was a $3 billion deficit.

The Secofi secretary said that the government is offering to maintain an economic policy that will favor a competitive exchange rate, which is very important if Mexican businesses are to gain access to new markets for their products.

Blanco acknowledged that imports still surpass exports, but underscored that a comparison of the deficits for the first two months in 1994 and the same period in 1995 showed that the current account balance was corrected.

Blanco Mendoza was in Guerrero Negro to take office as president of the Salt Export Company [Exportadora de Sal] administrative council. Governor Guillermo Mercado Romero attended the ceremony.

At the ceremony, the Secofi secretary said that the decision has been made to challenge a National Ecology Institute resolution that rejects the Salt Export Company's expansion plans.

The secretary said that a parastate company will support the Salt Export Company's appeal, with 49 percent of capital from Japan's Mitsubishi Company, to obtain the approval of the plan to expand the saltpeter deposits at San Ignacio lake.

Blanco Mendoza said that the project includes an initial investment of $120 million to install condensation containers, crystallization areas, and a salt loading wharf.

During an interview following the ceremony, the Secofi secretary said that the project's approval will double the Salt Export Company's production capacity of approximately seven million metric tons and will maintain its worldwide leadership in the salt market.

Blanco Mendoza added that the company has a 30 percent share in the world's salt market because it exports salt to the United States, Japan, Canada, and New Zealand, but it is getting strong competition from nations such as Australia in the Pacific.

Nafinsa Increases Support for Enterprises

PA2003042095 Mexico City NOTIMEX in Spanish 2105 GMT 19 Mar 95

[FBIS Translated Text] Mexico City, 19 Mar (NOTIMEX)—The National Finance Bank (Nafinsa) will increase its support for micro, small and medium enterprise, as well as regional development during 1995. The institution announced in a communique that the plan is directed at strengthening these sectors and creating jobs.

Nafinsa explained that the equivalent of $6.714 billion will be channeled to the business sector through this year's financial program intended to consolidate development banking activities.

The bank said that 90 percent of the funds included in the program—$6 billion—will provide support for 71,000 private sector enterprises. The remaining 10 percent will be used in its operations as a federal government financial agent.

The plan is to offer 90 percent of the channeled funds to micro, small, and medium enterprise, with the intention of creating jobs. There are almost 1.3 million companies, 98 percent of which belong to this sector in particular, the document states.

Nafinsa will also strengthen share contribution programs for micro, small, and medium enterprises. This means that the institution will buy into these companies as a temporary minority shareholder, with a maximum holding of 25 percent for seven years.

During such time, the bank continues, the company will become stronger, gain stability, and mature. The two parties will profit during the seven-year period. Nafinsa warns, however, that "we will only finance viable projects."

The export industry will receive financial support in dollars, by way of short-term lines of credit funded with foreign resources totaling an equivalent of $1.214 billion. The money will be available for working capital, as well as for machinery, equipment, and material imports that will allow the sector to modernize itself.

The development bank said that it will funnel $3.569 billion into discount loan operations, through its banking and non-banking intermediaries.

In this case, the plan will maintain the same level of participation in the total operations that banking and non-banking intermediaries reported during the last quarter of 1994, following the entry into effect of the system's new regulations.

Nafinsa seeks increased proximity with non-banking intermediaries, so as to enhance the strengthening and consolidation program that has supported them since 1993.

In so doing, Nafinsa contends, we will come up with an general diagnosis and design support plans to help them overcome administrative limitations and update their infrastructure.

During the first months of 1995, the institution will also carry out actions directed at restructuring their portfolios under more economically viable conditions.

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Government Secretary Discusses Democratic Reforms

PA1803201595 Mexico City LA JORNADA in Spanish 16 Mar 95 pp 1, 6

[Report by Nestor Martinez]

[FBIS Translated Text] Government Secretary Esteban Moctezuma Barragan said yesterday that the government intends to fulfill without delay the country's democratic reforms and renew aspects of Mexican federalism to strengthen a democratic and republican presidency.

In the Chamber of Senators, where Moctezuma Barragan took part in a forum on federalism, he defined the four pending government tasks:

1. Achieve in practice, a clear distribution of tasks and authority between federal and local governments;

2. Find a better balance between federation, states, and municipalities in the distribution of fiscal income and the generation of more of its own income;

3. Improve the capacity to govern, administer, and work between regions and localities, and;

4. Promote regional development, a common endeavor in which all sectors of society should take part.

He said that experiences in decentralization have increased the responsibilities of state and municipal governments, therefore, it becomes necessary to increase their financial capacities so that they may efficiently and equitably comply with their new public tasks.

This increase in capacity and resources, stressed Moctezuma, will also require a genuine local effort in an atmosphere of true joint responsibility. He underscored that it will be necessary to analyze "through consensus the national system of fiscal coordination so as to make the best use of federal participation in states and municipalities."

He also highlighted that the new federalism "seeks a better institutional arrangement and the best political-administrative strategy to reconcile the autonomy of government entities with the cooperation between them; to link national identity to a regional sense of belonging; to build bridges between our historical inheritance and our project for a Mexico that is fairer, democratic, sovereign, and prosperous."

"In this manner, by strengthening the republic"—Moctezuma Barragan stressed before legislators and officials—"by promoting democracy and consolidating a vigorous federal state, we can widen the path that is conducive to the diverse regional, socioeconomic, and political expressions of Mexico... That path is a renewed state of law, within the framework of a profound national political reform."

Fernando Ortiz Arana, leader of the Chamber of Senators, agreed with Moctezuma on the need to consolidate a democratic, republican, representative, and federal system, as the only valid way to manage power within the guidelines of the Constitution.

This, he said, also certifies the president's full conviction to base all government action on the law.

Ortiz Arana added that in this task, "the senate of the republic assumes its full responsibility as guarantor of the federal pact and participates in the innovative scheme of convergence and coordination between the executive and legislative branches in this phase of consolidating federalism."

Rosendo Villarreal, senator of the National Action Party and president of the Municipal Reinforcement Commission, expressed his confidence in finding, through this forum, viable alternatives to create a new federalism sustained in strong and autonomous states and municipalities.

He stated that to build the strong nation all Mexicans want, each region of the country must assume its full administrative, political, social, and financial responsibilities, thus eradicating centralist excesses that on several occasions have stalled the development of the communities.

Carlos Sales Gutierrez, president of the Finance Commission, agreed that the redistribution of responsibilities belonging to the government and public spending is necessary to achieve full federalism.

"All this—he stressed—can be accomplished with strong, dynamic, autonomous and coordinated government organizations."

Jorge Chavez Presa, director general of the Finance Secretariat's budget policy, and the secretary of finances of the federal district also attended the ceremony. These officials voiced their support for a balance of the federal finances, as well as the distribution of resources.

Banxico Authorizes Futures Transactions

PA2103160395 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 20 Mar 95 p 1

[Report by Juan C. Ocampo]

[FBIS Translated Text] The Bank of Mexico [Banxico] has issued Circular No. 95 authorizing multipurpose banks to engage in currency futures transactions on behalf of themselves and their clients. This will allow brokers to guarantee exchange rates in short- and mid-term transactions, and this, in turn, should help facilitate economic decisionmaking.

The central bank stressed that these futures contracts can be made directly between financial institutions and their clients outside the exchange or by way of authorized requests.

Banxico said Mexican bank operations have been approved on the "Chicago Mercantile Exchange," which

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will reestablish futures quotations for the Mexican peso in April. Banxico added that it has set a 90-day deadline for the implementation of such operations for institutions that meet capitalization requirements, have access to foreign currency, and have the ability to handle futures and options transactions. In turn, on 19 March, operations and systems audits were initiated to permit the granting of specific authorizations.

In its announcement, Banxico reiterated that the futures market will help "alleviate" the fluctuation of exchange rates and interest rates, as well as will ensure that rates in both areas will be lower than if the futures market did not exist. The futures market will also ease increased demand for foreign currency.

It should be recalled that in February Banxico announced it was implementing measures to develop a foreign currency futures market and to create Account Units [Unidad de Cuenta] to help ease skittishness in financial matters.

Regarding the first measure, Banxico confirmed that a futures market will help create guarantees on exchange rates in short- and mid-term transactions, which will facilitate economic decisionmaking in the areas of imports, exports, investments, and pricing, because these depend on the existence and efficient operation of a futures market.

At that time, Banxico explained that because of the absence of an effective market of this type, economic decisions were based on cash exchange rates and interest rates.

Banxico added that futures operations will help moderate fluctuations in exchange and interest rates, as well as help reduce rates in both areas.

Bankers Warn Interest Rates To Increase Matured Loans

PA1703224195 Mexico City EL FINANCIERO in Spanish 16 Mar 95 p 5

[Report by Georgina Howard]

[FBIS Translated Text] Private banks have asked the government to define an exchange policy that will bring certainty and will not contribute to further destabilizing financial markets, because skyrocketing interest rates of over 80 percent will make bank credits more expensive and the level of matured loans will not decline "despite the restructuring programs."

Some members of the Executive Committee of the Mexican Association of Bankers [ABM] have warned that the imbalance that prevails in the markets because of the exchange rate speculation will cause the floating interest rates of credit institutions to exceed 100 percent. This situation will further increase the matured liabilities.

For its part, the National Banking Commission [CNB] said all banks will comply with the 8-percent capitalization indexes set forth in pertinent legal provisions, as well as the creation of minimum contingency reserves in the amount of 60 percent of the matured portfolio or 4 percent of the total portfolio.

The CNB reported that several days ago, different credit institutions began taking advantage of the corresponding corporate agreements to formalize their capitalization through the injection of resources from their partners as well as placing ancillary obligations or funds from Procapte [Temporary Capitalization Program] in the market.

The CNB explained that as a result of the above, the financial statements for March will reflect the necessary reserves and constituted capital through different options.

It asserted that the capitalization program has been exclusively designed for those banks that only require temporary financial assistance, given the difficult economic situation the country is experiencing.

"This is the organization authorities have designed," the CNB explained, to insure that banks fulfill at all times the requisites of capitalization and contingency reserves imposed on them by law."

In light of this situation, the CNB reiterated, all credit institutions of the country—including Cremi, Union, and Banpais which have been placed under government control—will continue to honor all and every payment obligation, so there should not be concern among creditors, depositors, and savers in general.

Regarding the agreement financial authorities signed last 9 March with the World Bank and IDB to implement a special program for strengthening the Mexican banking system with $2.25 billion, the CNB stated these resources may increase with additional contributions from international sources.

The CNB also denied that the Interacciones Financial Group, directed by Carlos Hank Rohn, has been placed under the administration of authorities, as has been reported. It said this holding is operating normally.

In addition, some members of the ABM termed "worrying" the systematic increase in interest rates, which, should it not be reversed or stabilized, will block the program of restructuring matured portfolios by Units of Investment.

They even warned that as long as the exchange rate continues to float and the speculation on the currency "does not end," bank credits will be "out of reach" and the already-approved loans run the risk of "becoming part of the matured portfolio" in light of the inability to pay rates in excess of 100 percent.

With this, bankers explained, the prospects of resolving the uncontrollable amount of credit institutions'

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matured portfolios "will be unsuccessful" and the standing of the portfolios of Mexican banks "will continue to deteriorate vis-a-vis foreign banks."

The Economic Emergency Program will be very difficult; it may generate desirable expectations but what Mexico requires at this time, they insisted, is clarity regarding the exchange rate so as to make projections into the future.

While no policy is defined on this matter, no bank, despite the economic subsidies, will be able to design strategies, and the uneasiness in the markets and the interest rate will remain.

Some members of this group, who have met with authorities since the program to overcome the economic emergency was released, concluded that one of the greatest concerns for the government at this time is the exchange rate, the flight of capital, and the arrival of hot speculative money.

Fuji Bank Group To Begin Operations

PA2003022895 Mexico City LA JORNADA in Spanish 17 Mar 95 p 52

[FBIS Translated Text] Fuji Bank Mexico S.A. will begin permanent operations once the Secretariat of Finance and Public Credit gives its authorization.

The Fuji Bank Mexico group will begin operations with a working capital of 85 million new pesos. It will focus on the corporate sector.

The bank expects to set up primarily in Mexico City. Its clientele will be mostly Mexican and Japanese corporations, as well as the public sector.

On the international level, the Fuji Bank's assets total $484 billion, which makes it one of the most important banks in the world. The financial firm has already been active in the Mexican market through an agent for the last 15 years.

On this issue, the Finance Secretariat said that the participation of foreign financial institutions in the Mexican market through affiliates strengthens the national system and increases competitiveness among banking services.

The government office said that international firms participating in the economy "will help the country reach the goals of its economic adjustment plan."

Among such objectives is "the reduction of interest rates, market stability, increased foreign investment, access to open capital markets, and support for industrial production through an increased number of credit sources."

Foreign Trade Bank To Increase Credit Budget in 1995

PA1703234095 Mexico City NOTIMEX in Spanish 0132 GMT 17 Mar 95

[FBIS Translated Text] Monterrey, 16 Mar (NOTIMEX)—The National Foreign Trade Bank of Mexico (Bancomext) will increase its credit budget in 1995 up to $20 billion to support Mexican exporters, Antonio Ortiz Cobos, Bancomext northern region director, said today.

Ortiz Cobos said priority will be given in granting credits to enterprises having a high volume of exports, adding approximately 12,000 companies will benefit from this plan.

Approximately $10 billion will be granted through direct credits, which will total around $11 billion through instruments called guarantee deposits, Ortiz Cobos explained.

He said Bancomext has estimated it will grant $20 billion in credits through lines of credit based on foreign operations with international banks and organizations.

Ortiz Cobos said direct credits in northern Nuevo Leon State totaled $350 million up to 15 March, while credits granted in indirect operations totaled $400 million.

Ortiz Cobos said this year's program in Nuevo Leon will be for $2 billion, which will benefit approximately 1,200 exporters.

Bancomext has not been seriously affected by the constant increase in interest rates, because its main financial source is in dollars received from abroad, he said.

In addition, Bancomext receives resources at competitive international rates, primarily the Libor (British interbanking interest rate), which is currently six points above the current level, he said.

Ortiz Cobos participated in the 10th Symposium of Financial Administration on 16 March sponsored by Regiomontana University, during which he said enterprises should increase exports, as one of the best alternatives to face the crisis, under current circumstances.

CEMAI Urges Businesses To Unite, Increase Exports

PA1903144295 Mexico City EL FINANCIERO in Spanish 15 Mar 95 p 24

[Report by Georgina Tristan]

[FBIS Translated Text] Francisco Lopez Barredo, president of the Mexican Businessmen's Council for International Affairs (CEMAI), has noted that while the government's recently announced emergency measures are sensible, it is clear that export businesses require a mid- and long-term program to draft and design a development strategy.

Lopez said CEMAI, the National Association of Mexican Importers and Exporters [ANIERM], and the National Foreign Trade Council are working together with the government to formulate specific measures in the areas of foreign trade and investment.

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He noted that the discussions are taking into account formulas employed by other countries that have faced adverse conditions "such as those we are enduring." Most of these formulas were implemented in other parts of the world about two decades ago to encourage and support investment and initiate a successful development process.

Lopez said: Within the framework of a mid- and long-term strategy, Mexico could review and then adopt some of these measures. He added, however, that this does not mean abandoning the emergency program now being implemented but, rather, encouraging investments and savings, as well as mature and unambiguous relations between the government and business, as a basis for increasing confidence in the country.

He stated: While maintaining a long-term vision and counting on strategic alliances, Mexico's businessmen "must place special emphasis on opportunities opened by the privatization programs the federal government has announced in the areas of railroads, ports, airports, and telecommunications, as well as in the petrochemical and electric power generation sectors."

The current challenge faced by small and medium-sized enterprises is "truly enormous," and, in turn, their joining the country's export activity is essential, Lopez said in a speech on the occasion of ANIERM's 51st anniversary.

These enterprises, by forming marketing alliances, could create a viable option for overcoming their current difficulties while facing the future in a stronger position. Likewise, the integration of export chains would permit these alliances to take advantage of productive processes of small and medium-sized enterprises while capturing international markets through companies featuring larger infrastructures.

Limitations posed by the size of an enterprise can be resolved through associations. Lopez said that under certain circumstances the best thing to do would be to associate with foreign firms capable of supplying capital, advanced technology, and international marketing channels. Under other circumstances, there can be associations to form production chains, and under others, there can be associations among small firms to jointly buy supplies or obtain credits or sell their products.

These associations also would allow small and medium-sized enterprises to increase the cost-effectiveness of expenditures on research and development for designing new products and technology.

Another advisable move is the creation of marketing companies that would provide specialized export promotion services to groups of businesses which, by themselves, have neither the economic base nor the expertise to export.

Working with national or foreign allies represents a possibility of being able to take advantage of complementary free trade markets and globalization forces necessary to promote exports.

Lopez noted: "One of the greatest lessons this crisis has taught is that our economy urgently needs more support from domestic savings, the strengthening of domestic and foreign private investments in the country's production sector, and the heightening of our export capabilities."

Lopez concluded: New strategies and the utilization of all of our skills are necessary to protect production and job sources, as well as to push enterprises forward.

Fobaproa To Receive Foreign Recapitalization Funds

PA1703164995 Mexico City REFORMA in Spanish 15 Mar 95 p 16a

[Report by Mayela Vazquez]

[FBIS Translated Text] The Savings Protection Banking Fund (Fobaproa) will be recapitalized up to $4 billion with funds from the World Bank, the IDB, and other foreign sources, as part of the Action Plan to Strengthen the Agreement of Unity to Overcome the Economic Emergency.

According to the document signed last week by the state secretariats and the Bank of Mexico [Banxico], the measure will be taken to allow Fobaproa to do its work.

According to information supplied by Banxico on 1 March, when Fobaproa closed in February, it had given support to commercial banks worth $1.899 billion and 12.3 billion news pesos.

Fobaproa's recapitalization, the Temporary Capitalization Program [Procapte], the availability of foreign currency, increased reserves from banks, the start-up of the Investment Unit, and increased supervision of brokers, are the actions the government will take to strenthen the financial system.

The goals are to ensure that bank depositors and creditors do not suffer losses and that the financial load for credit users is reduced, which in turn will reduce the overdue portfolio.

It must be clarified that Procapte does not imply any sort of fiscal subsidy for shareholders of institutions that cannot cover the capitalization indexes and required reserves.

"Recognizing that this is not a generalized problem of the overall system, authorities will opportunely intervene, such as they have been doing, in specific financial groups that may have basic solvency problems," the document states.

It states that congress will discuss the proposal to merge the National Stock Exchange Commission with the National Banking Commission to improve supervision.

Study Assesses Banking System's Risk, Performance Levels

PA2103184195 Mexico City LA JORNADA in Spanish 20 Mar 95 p 42

[Report by Roberto Gonzalez Amador]

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[FBIS Translated Text] According to a study prepared by the Administration and Credit Control Systems [SAC] consulting firm and based on National Banking Commission [CNB] reports, only four of the nation's banks are in a position to return their depositors' money under originally agreed upon terms.

According to the study, the 18 commercial banks operating in the country would require at least $19.1685 billion to return deposits if all depositors demanded payment in full.

The study, which examines the risk and performance levels of the nation's multipurpose banks, shows that only Banco Mercantil del Norte can safely meet its depositors' cash demands. In the case of Promex, the risk of failing to meet these demands is "low," while the risk level for Bancrecer and Banoriente is "average." At the other end of the spectrum are Inverlat, Banco Mexicano, Probursa, Banorro, and Banco Obrero, whose risk level of not being able to return the money of all of their depositors is "very high."

These five banks would require at least $4.938 billion—the equivalent of 75 percent of the nation's 1994 oil revenues—to return all of their depositors' money in cash.

According to the document, "the probability ratio in case of emergency" is an indicator that reflects each bank's ability to return, under originally agreed upon terms, depositors' money if all depositors were to demand payment at the same time. This indicator is determined by calculating the ratio between short-term liquid assets (at net current value) and overall deposits.

SAC analysts explained that a bank whose "deposit return capability level" is equal to or greater than 1.00 is in a position to return all of its depositors' money. The deposit return capability levels of Banamex [National Bank of Mexico], Bancomer [Bank of Commerce], and Serfin—the country's three largest banks—is lower than 0.70, which places them in the "high" risk category, according to the document. These three banks would require at least $11 billion to meet such a contingency. In similar condition are Internacional, Confia (Abaco), and Citibank. Meanwhile, Atlantico, Banco del Centro, and Banoriente have "average" risk levels.

Businessmen—the Group Most in Arrears

According to the CNB, the banking industry's overdue portfolio reached 43,463,019,000 new pesos in December 1994.

The Bank of Mexico [Banxico] reports that overdue loans granted by commercial banks to the private sector, excluding interest, reached 40.8405 billion new pesos at the end of 1994.

Banxico reports that the commercial sector was the group of debtors most in arrears. This sector's overdue loans amounted to 10.5128 billion new pesos, representing 25.74 percent of all overdue loans.

Next in line in terms of arrears is the manufacturing sector, whose overdue loans, according to Banxico, amounted to 5.1625 billion new pesos, approximately 12.64 percent of all overdue loans.

According to Banxico figures, which do not take into account interest payments in these calculations, the No. 3 position on the list is held by credit card users, whose overdue debts with commercial banks amounteded to 4.13504 billion new pesos—10.12 percent of the total.

Recipients of loans destined for agricultural and livestock activities are the fourth largest group with overdue bank debts. At the end of 1994, they owed 4.9496 billion new pesos—10.02 percent of all overdue loans.

In addition, overdue loans for purchases of durable goods, such as cars, amounted to 3.50343 billion new pesos—8.57 percent of all overdue loans.

The construction industry's overdue loans were equivalent to 7.54 percent of all overdue loans, amounting to 3.8032 billion new pesos, according to Banxico.

In the case of housing, those loans that fell due in December 1994 amounted to 2.40866 billion new pesos—5.89 percent of all overdue loans.

Loans Difficult To Recover

The SAC report says the risk level of five of the nation's banks is "worrisome" because a sizable portion of their current loan portfolios is concentrated in so-called "high-risk instruments." The "coefficient of concentration in high-risk portfolios" reflects the portion of overdue loans that corresponds to those instruments "highly susceptible" to falling into the "high-risk position" of not being collected.

In this regard, the SAC study says the collectibility level of loans issued by Mexicano, Banco del Centro, Mercantil del Norte, Confia (Abaco), and Citibank is "worrisome," placing these banks on a level of 10 on a scale of zero to 12.

Other banks with a questionable level of collectible loans include Serfin, Internacional, Atlantico, Probursa, Bancrecer, Banorro, Banoriente, and Banpais—the last of which is currently experiencing government intervention. In addition, Banamex, Bancomer, and Inverlat are also regarded as "high risk" banks in terms of collecting loans.

Pemex Director on Reserves, Production, Revenue

PA2003183495 Mexico City NOTIMEX in Spanish 0054 GMT 18 Mar 95

[FBIS Translated Text] Mexico City, 17 Mar (NOTIMEX)—Adrian Lajous Vargas, director of Mexican Petroleum (Pemex), reported today that Mexico's

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proven hydrocarbon reserves dropped 2.0 percent in 1994, going from 64.516 billion barrels to 63.22 billion barrels.

The official explained the decline occurred because reserves could not be increased to cover the extracted production. Nevertheless, at the current production rate, the reserves are expected to last 48 years.

Lajous Vargas stated before local and foreign journalists that the parastate enterprise's total sales for 1994 were 98 billion new pesos ($13 billion), which is 4.9 percent higher than in 1993.

In presenting a report on results achieved by Pemex in 1994, the director said oil constitutes 79 percent of the confirmed reserves (49.775 billion barrels) and natural gas 21 percent (68.4 trillion cubic feet).

Lajous Vargas said at the Pemex facilities that 2.7 million barrels of crude oil were produced daily in 1994, a volume that is 12,000 barrels higher than the daily amount registered the previous year. He added that this represents the highest annual production in a decade.

The production came mainly from offshore deposits, which increased in volume to 52 million barrels per day. Natural gas production registered a modest increase, reaching a volume of 3.625 billion cubic feet per day.

Crude oil exports rose to 1.3 million barrels per day, which generated $6.624 million. The director said 74 percent of these exports were destined for the United States.

Referring to the total volume of domestic sales of oil products, Adrian Lajous said these increased 7.4 percent in 1994, which contrasts with the stagnation observed in 1993.

An important part of the increase is attributable to developments in the demand of the electricity sector, the official explained a day before the celebration of the 57th anniversary of oil expropriation in Mexico.

Later on in his report Lajous Vargas said Pemex registered 10 billion new pesos ($3 billion) of investment spending in 1994, 10 percent more than the amount registered in 1993.

The director said that, in terms of the distribution of investment resources, the priority given to exploration and primary production activities, as well as refining, is being maintained.

He emphasized that 57 percent of the investment expenses were allocated to Pemex-Exploration and Production, and 31 percent to Pemex-Refining.

Moreover, the budget agreed on with the federal authorities was strictly adhered to because the overall surplus rose to 5.243 billion new pesos ($693 million), 5 percent more than the agreed target.

Former Pemex Chief Backs Risk Contracts To Tap New Fields

PA1903153695 Mexico City EL FINANCIERO in Spanish 17 Mar 95 p 24

[Report by Eva Lozano Estrella]

[FBIS Translated Text] Former Mexican Petroleum [Pemex] Director Jorge Diaz Serrano is proposing the introduction of risk contracts in the petroleum industry and opening the door to private capital to encourage the exploitation of new deposits in Campeche Bay. The former Pemex official also warned that the exploration of the two largest oil fields established in his term as director (1977) could soon begin to decline.

Diaz Serrano added that to avoid unhampered exploitation of the Cantarell and Abkatun deposits in Campeche Bay, which are responsible for slightly more than 60 percent of all oil output and which have an expected productive lifespan of about 20 years, it is imperative to continue to look for additional fields, because once the current fields start to be depleted, overall production could drop by as much as 10 percent.

In an exclusive interview with EL FINANCIERO, the former public official said that according to geological analyses conducted in his administration, potential reserves could be as large as 10 times the 64.516 billion barrels of proven crude reserves confirmed in 1994.

According to information gathered by petroleum engineers, major underground deposits have been detected in regions that include the country's coastal shelf extending from the the Gulf of Mexico to Campeche Bay, as well as in the Gulf of California.

Based on Pemex exploration analyses of Campeche Bay—where more than 70 percent of the country's nearly 1.9 million barrels per day of crude oil is extracted—there is an untapped potential of 26 billion barrels of liquid hydrocarbons, which is comparable to oil reserves found in Maracaibo, Libya, and the North Sea. The Mexican Petroleum Institute reports the country's proven and confirmed oil reserves as of 1994 represent approximately 5 percent of all oil reserves worldwide.

Diaz Serrano said the industry's current lag in exploration is similar to what took place during President Jose Lopez Portillo's administration when petroleum engineers expressed concern because of a lack of investment.

Diaz Serrano said: "At that time, Lopez Portillo decided to channel more resources into Campeche Bay, and the two major deposits of Abkatun and Cantarell were discovered in this region. Because of this, the current process of dragging the country out of the crisis must originate from this same region.

"Today, there is talk of financial moves to resolve the economic problem, and yet, no one talks about tapping unexplored crude oil resources. The main tool we have relied on throughout the century is black gold, and yet, it

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is not being tapped as it should be. Also, we must remember that there is no way to return something to the land once it has been taken out."

For these reasons, he explained, there is no need to privatize the industry, but we do need to establish risk contracts that will allow us to extract oil from the large crude deposits we have nationwide and which could help pay part of our foreign debt.

Later, Diaz Serrano pointed out that to prevent the United States from exploiting Mexico's oil revenues, it is critical to re-estimate the country's reserves and to invest more resources to spearhead the development of Campeche Bay, which, in turn, can increase production while giving Pemex the privilege of extracting the crude.

Construction Industry Backs Zedillo's Efforts

PA1703192995 Mexico City NOTIMEX in Spanish 0208 GMT 17 Mar 95

[FBIS Translated Text] Veracruz, 16 Mar (NOTIMEX)—Fernando Acosta Martinez, the president of the National Chamber of the Construction Industry of Mexico (CNIC), stated today that CNIC backs the measures taken by President Ernesto Zedillo to solve the crisis.

At the opening of the 20th Congress of the Mexican Construction Industry, the business leader asserted that the 16,000 businessmen in this sector are willing to cooperate to revive the national economy even serve as an example for the other Latin American economies.

The CNIC position is to propose solutions and not only to present problems. Personal and institutional efforts are required to be able to resolve this crisis, Acosta Martinez stated in this eastern city of Veracruz State.

The leader, who was sworn in to the post this Thursday, said that the CNIC is, therefore, asking for understanding and support for its "concrete proposals for immediate action which, studied jointly, will help improve the country's situation."

Despite the serious deterioration and loss of the sector's full operating capacity, the construction industry will come out ahead in the economic crisis confronting the country.

Regarding the announced emergency economic measures, the construction leader argued that the big and difficult macroeconomic decisions made, "entail a high degree of sacrifice" but that their implementation is indispensable "for Mexico's welfare."

Acosta Martinez referred to the economic emergency program announced by the Mexican Government last Thursday. This program establishes a number of measures that are aimed at solving the crisis the country has faced since last December.

Former CNIC President Sergio Jimich Ripstein said Mexico cannot stop growing or generating jobs. Thus he argued "it is indispensable to establish a more efficient public investment policy."

Gallup Poll: Mexicans Planning To Alter Spending Patterns

PA2103185295 Mexico City LA JORNADA in Spanish 20 Mar 95 p 3

[FBIS Translated Text] On 13 March, Gallup Mexico conducted a public opinion survey on the effects of the economic crisis on the consumption, spending, and entertainment habits of residents of Mexico City, Guadalajara, and Monterrey. The company interviewed 410 people in high, middle, and low income brackets. According to the results of the survey, 69 percent of those polled believe the crisis is harming them, while 66 percent "live in anxiety because of the likelihood of not having enough money to cover expenses."

Meanwhile, nearly nine of every 10 respondents, or 88 percent, said they "will alter the their spending patterns." Nevertheless, in this reallocation of spending there are certain basic goods, such as food, which 99 percent of the respondents said "they will not touch." Also, 62 percent said they will not change their spending patterns on housing.

The category of consumption "most susceptible to change" is entertainment. According to the Gallup poll, 94 percent of those surveyed said they intend to eliminate trips and entertainment, 34 percent will not buy durable goods, and 32 percent will stop buying clothing and footwear.

The sector that plans to make the most drastic changes in its spending patterns because of the crisis comprises "middle income" elderly residents of the Federal District. Also, 47 percent of those surveyed who have children in private schools said that, if the situation persists, they will be forced to enroll their children in public schools or "less expensive private schools."

Other indications of how deeply the crisis is affecting the population include the following results: 65 percent of those who had planned to buy houses "have postponed these plans," 83 percent have postponed the purchase of home appliances, 82 percent have postponed the purchase of a car, 79 percent have postponed the purchase of furniture, and 78 percent have postponed the purchase of household accessories.

Moreover, 44 percent of the respondents said they intend to cancel or refrain from renewing life insurance policies, 42 percent will do the same with medical insurance policies, and 32 percent will eliminate car insurance policies.

Other indicators include: 90 percent of those polled said they "will stop traveling abroad or will travel less frequently," 88 percent will stop traveling to the interior of

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the country, 88 percent will stop going to theaters or will go less frequently, and 88 percent will stop going to restaurants.

Foreigners React to Effects of Economic Crisis

PA1903145395 Mexico City EL FINANCIERO in Spanish 16 Mar 95 p 20

[Report by Lourdes Gonzalez Perez and Armando Talamantes]

[FBIS Translated Text] Miguel Schyfter Lepar, president of the Costa Rica-Mexico Bilateral Committee, has said the severe Mexican crisis will prompt a collapse of Mexican buying power, which in turn will affect the future of trade agreements with Mexico, such as the one with Costa Rica which went into force in January. He also said Mexico continues to set an example for Latin America, particularly his country, but primarily in terms of identifying the errors made by Mexico and ways to avoid similar mistakes.

Francisco Lopez Barredo, president of the Mexican Businessmen's Council for International Affairs [CEMAI], has reported that the first business meeting between the two countries led to trade worth more than $6 million—a figure that has since risen to $15 million. He noted that sectors such as tourism, food, beverages, textiles, services, agro-industry, footwear, and metal products are among those that hold the most promising future in terms of trade between the two nations.

During the meeting, Schyfter said Mexico had become an economic model for Costa Rica, but that assessments and visits are being conducted to learn first-hand the causes of the crisis and to prevent the same mistakes from "happening in our own country." He added that Costa Rican businessmen and the government "want to learn from Mexico's errors," and he described the Mexican crisis as a "splash of cold water" in the face of Costa Rica's business community. He also said the economic difficulties will restrict future trade, because demand will be severely reduced in Mexico. Although NAFTA might benefit, he said, mechanisms are required to permit an adequate degree of trade with Mexico in the wake of the crisis.

Also during the meeting, Commerce Secretary Herminio Blanco said the agreement with Costa Rica will be successful because it opens a $3 billion market to Mexican products, which have proven to be competitive. Also, it provides good opportunities for micro, small, and medium-sized Costa Rican enterprises because of their proximity to Mexico, and because Costa Rica features consumption patterns very similar to Mexico's. This trade agreement, he continued, will be successful because a rapid economic opening has been initiatied, under which 70 percent of Mexican exports are tariff free. In five years, another 20 percent will stop paying tariffs, and, in another 10 years, all products entering the Costa Rican market will be exempt of tariffs.

Costa Rica, in turn, is profiting from a rapid entry into the Mexican market, because 75 percent of its exports already do not pay tariffs, another 15 percent will stop doing so in five years, and the remaining 10 percent of the goods exported to Mexico will be free of tariffs in 10 years.

In Guadalajara, EU adviser Charles Struxiano said that, because of the financial turbulence in Mexico, European investors "are refraining from entering" the Mexican market until the economic outlook clears. Nevertheless, the crisis is not sufficient reason for the European position on Mexico to change radically.

Struxiano made his statements at the European Forum organized by the Guadalajara branch of the Monterrey Technological Institute for Higher Studies. The official reported that in January, "after the crisis erupted," the EU proposed a new trade agreement with Mexico. The treaty, "something like a European form of NAFTA," would cover three fundamental areas—the lowering of tariffs and establishing more specific mechanisms to stimulate trade relations between Europe and Mexico; the continuation of technical and financial assistance to Mexico; and the "establishment of political coordination between the EU and Mexico."

Report Views Impact of Proposed Secretariats Closure

PA1903031695 Mexico City Radio ACIR Network in Spanish 0000 GMT 18 Mar 95

[Report by Alma Rosa Baez from the "Evening News Panorama" newscast]

[FBIS Translated Text] The possible closure of four state secretariats, specifically, the Agrarian Reform, Tourism, Comptroller General, and Energy Secretariats, could leave some 19,000 civil servants jobless. This figure exceeds by 2 percent the total number of positions reported by the government and would entail savings in total government expenditures of approximately 1.150 billion new pesos spent on jobs. This has been shown by Finance Secretariat data in the federal budget of projected expenditures for 1995, which was, by the way, drafted prior to the devaluation.

This federal budget contemplates that the said institutions would allegedly represent a physical investment of 232.1 million new pesos, which constitutes 0.7 percent of the total resources earmarked for improving the infrastructure of these institutions. The Finance Secretariat report states that should the proposal made by the legislative branch to eliminate these four institutions be approved, the government would save 430 million new pesos. In addition, according to the original projected budget—minus devaluation changes, that is—these four institutions were expected to experience a real decrease in expenditures for 1995. Another two secretariats were allegedly in the same situation. It has been said that a

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reduction in the expenditures of the Government and Commerce Secretariats had already been considered.

Regarding jobs, the Agrarian Reform Secretariat generates the highest number of jobs among the institutions mentioned in the proposal with over 12,000 workers. The second leading institution in this aspect is the Tourism Secretariat with 2,296 public workers; the Energy Secretariat with 2,336; and the Comptroller General's Office with 1,656. These institutions generate an estimated total of 18,985 jobs.

Another noteworthy factor is that even if these four secretariats were not closed, a payroll cut of at least 950 employees from the total figure had already been planned with only 22 temporary employees. This information is in keeping with Finance Secretariat data, which had been contemplated since early December 1994, when the federal budget of expenditures was presented. Although the closure of these four secretariats had not been considered at the time, the government was already considering major payroll and budget cuts.

Roundup of Economic Developments

PA2003193695

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 20 March.

Travel agent Salvador Huerta reports that commercial airlines are now doing the work that travel agencies used to do, thus limiting the work opportunities for the agencies. In addition, the Union of Commercial Pilots reports that commercial aviation activities have dropped by 30 percent so far into the first quarter of 1995 as the result of a slack market. (Mexico City Radio ACIR Network in Spanish 0000 GMT 15 Mar 95)

Pemex (Mexican Petroleum) reports that an average of 1,333,100 barrels of crude oil were processed daily in 1994, a figure 2.9 percent higher than in 1993. Of the quantity processed, 385,000 barrels were of the heavy Maya type. In addition, a second catalysis plant was put into service in Hidalgo State and a byproduct viscosity reduction plant was put in operation in Nuevo Leon State. (Mexico City NOTIMEX in Spanish 0202 GMT 15 Mar 95)

Pemex reports that the average sale price of various types of crude oil exports increased during February. Crude oil sales abroad in February were 1,193,700 barrels daily. The average price of Istmo crude in Europe in February was $17.09 a barrel and that of Maya $15.56. The price of Istmo crude oil sold to Far East customers reached $17.59 a barrel and that of Maya $14.59 a barrel. The United States bought 75.4 percent of the total crude oil exported during the first two months. (Mexico City NOTIMEX in Spanish 0015 GMT 17 Mar 95)

The Mexican Government has authorized Fuji Bank of Mexico to be created and operate in the country. Fuji Bank is a subsidiary of Fuji Bank and Trust Company, one of the world's most powerful banks with assets worth $484 billion. Fuji Bank of Mexico will start operations with an initial capital of $12 million. (Madrid EFE in Spanish 0045 GMT 17 Mar 95)

The Mexican Automotive Industry Association reports that local car sales dropped by 61.7 percent in January and February over the comparable period in 1994 because of a 30-60 percent price increase, the nearly complete absence of credit, high interest rates, and buyers postponing their purchases because of job uncertainty. Sales will probably drop 70-75 percent during April and May because of an increase in the value-added tax of 10-15 percent, effective in April. (Paris AFP in Spanish 1440 GMT 20 Apr 95)

Judge Sentences Ruiz Massieu Killers to 50 Years

PA2103231095 Mexico City XEW Television Network in Spanish 0430 GMT 21 Mar 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Emma Mesa Fonseca, the district's 10th penal judge, has handed a 50-year prison sentence to four individuals for the homicide of Jose Francisco Ruiz Massieu. The names of these individuals who perpetrated the murder, are: Daniel Aguilar Trevino, who fired the shot that killed Ruiz Massieu, Carlos Angel Cantu Narvaez, Fernando Rodriguez Gonzalez, and Jorge Rodriguez Gonzalez. The last three were also involved in the murder. All of them were sentenced to 50 years in prison.

In addition, Judge Mesa Fonseca has sentenced Maria Eugenia Ramirez Aruz, Roberto Angel Ramirez Arauz, and Jesus Sanchez to 37 years and six months in prison for being accomplices to a homicide. Jose Pascual Alvarez must serve three years in prison and pay a fine equivalent to 15 days of labor for carrying a weapon that is exclusively for the use of the Army, the Armed Forces, and the Air Force.

PGR Denies Reports on Involvement in Colosio Murder

PA1703165995 Mexico City XEW Television Network in Spanish 0430 GMT 14 Mar 95

[Bulletin issued by the Mexican Attorney General's Office in Mexico City; date not given; from the "24 Hours" newscast]

[FBIS Translated Text] The Attorney General's Office [PGR] is reporting that Special Prosecutor Pablo Chapa Bezanilla has never made statements involving people cited by certain media in the murder of Luis Donaldo Colosio. These people are Ruben Valdez Abascal, Jose Cordoba Montoya, and Domiro Garcia Reyes. As it was reported on 24 February, only the first phase of the investigation has concluded, and it is impossible to determine any other person's responsibility with the

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evidence gathered so far. Because of the speculations that have emerged, the Special Prosecutor's Office will keep its investigations strictly confidential. As for the meetings with the legislative pluralistic commissions, this office will revise the dynamics of the meetings.

The PGR is stressing its commitment to inform the Mexican people when the facts and names of those involved are rightfully proven, however, the principle of confidentiality in the investigations must be respected, which is a basic element for the success of the investigations.

The PGR calls on the Mexican society's confidence, stresses the determination of its efforts, and states that the investigations are not subjected to timeframes, pressure, or critical terms.

PGR Official on Struggle Against Drug Trafficking

PA2003133295 Mexico City NOTIMEX in Spanish 0135 GMT 19 Mar 95

[FBIS Translated Text] Mexico City, 18 Mar (NOTIMEX)—The government has taken firm and major steps in its effort to erradicate the drug problem, Rafael Estrada Samano, the Attorney General Office's (PGR) deputy attorney general for legal affairs, stated.

In his speech at the 33d session of the Narcotics Commission of the International Narcotics Control Board, Estrada Samano said the full enforcement of the law is the current administration's goal.

Speaking before the delegates of the member countries, the PGR official said the objective is to turn Mexico into a country of laws, where nobody is excluded from the application of justice, regardless of political, economic, or any other kind of considerations.

In his address to the organization, of which Mexico is an active member, Estrada Samano said corruption and impunity "are great allies which promote the interests of drug traffickers."

Therefore, countering and acting resolutely to end these illegal activities will deprive drug traffickers of their main weapons and support," he added at the event, which was carried out in Vienna, Austria.

The official emphasized that Mexico has given priority to drug trafficking and consumption, to the extent that this is considered a national security problem and, therefore, the country is compelled to adopt preventive measures against transgressors.

He added that Mexico encouraged the specialization of personnel in charge of fighting that illegal activity, without neglecting other areas like organized crime, money laundering, gunrunning, and control of precursor chemicals.

The Mexican delegation participating in the forum emphasized that, although large crops, laboratories, and clandestine runways are destroyed, and shipments, weapons, and assets are seized, the drug traffickers' enormous power is still evident.

Estrada Samano said that a radical solution, albeit a long-term one, to reduce the production and traffic of weapons would be to progressively but firmly reduce consumer demand because this is what causes the problem.

Informant Points to Government, Drug Trafficking Links

PA2003202095 Mexico City REFORMA in Spanish 17 Mar 95 p 11A

[Report by Xardiel Padilla]

[FBIS Translated Text] McAllen, Texas.—According to Oscar Lopez Olivares, alias "El Profesor," the $6.9 million Mario Ruiz Massieu deposited in a Texas bank account were in payment for having released Humberto Garcia Abrego.

Lopez Olivares, a former drug trafficker, and an FBI informant since 1985, recalled that Garcia Abrego was arrested in Monterrey, and taken to Mexico in 1994, and that he was released shortly afterwards.

Humberto's brother, Juan Garcia Abrego, who is also head of the Gulf Cartel, paid Ruiz Massieu for the release, Lopez Olivares claims.

"Of course, if Ruiz Massieu is extradited he is going to claim that Carlos Salinas de Gortari gave him the money to cover up for his brother, Raul.

"El Profesor" indicated that it is somewhat difficult for Ruiz Massieu to be extradited since the Salinas family is trying to prevent this since it does not suit them.

According to the former drug trafficker, Guillermo Gonzalez Calderoni, a former Federal Judicial Police [PJF] commander, is in a similar situation.

"Humberto Garcia Abrego and Guillermo Gonzalez Calderoni are both key figures, yet there are people such as Salinas de Gortari who are not too interested in having them extradited," Lopez Olivares pointed out, adding that "Juan (Garcia Abrego) is behind all of this."

In addition, he stressed that he never said that Carlos Salinas de Gortari had ordered the murder of Jose Francisco Ruiz Massieu, but that he must have known that his brother Raul was guilty."

According to Lopez Olivares, last year Gonzalez Calderoni could not be extradited to Mexico because of the lack of interest and capability on the part of the Mexican Government.

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"It is quite significant that the same day Ernesto Zedillo was sworn in, a U.S. federal court decided to reject Gonzalez Calderoni's extradition request."

The former PJF commander, "El Profesor" indicated, he had threatened to reveal several of the Salinas de Gortari brother's shady deals and now Ruiz Massieu must be doing the same.

With respect to Gonzalez Calderoni, who is charged with protecting the Gulf Cartel, Lopez Olivares indicated that "the threat must have worked."

He commented that he is willing to present a considerable amount of audio and video evidence the government could use in order to secure Gonzalez Calderoni's extradition.

"If the Mexican Government is willing, I could arrange it and help them in taking in back."

He pointed out that his sources are some "very inept" officials working for the Mexican Government, as well as the U.S. Government.

The onetime lieutenant of Juan Garcia Abrego stated that the Mexican Government will attempt to deviate attention away from the Ruiz Massieu and Gonzalez Calderoni cases with something spectacular.

"Just now I was told that false reports are being spread in Mexico with respect to "Marcos" having been killed."

He also pointed out that former Deputy Attorney General Javier Coello Trejos could even be murdered just to distract public attention.

Lopez Olivares stipulated that Humberto Garcia Abrego's arrest was in reaction to a 23 October 1994 interview published by EL NORTE newspaper in which he made several major disclosures that forced former Attorney General Humberto Benitez Trevino to finally do something.

Very soon, he warned, he will be unveiling information, already known to the FBI, with respect to the identity of a high ranking Mexican official, "practically a secretary of state," who is involved in drug trafficking.

Lopez Olivares commented that he hopes the current attorney general is different from his predecessors and that he is truly committed to eliminating the Juan Garcia Abrego group.

The FBI informant is currently somewhere in Texas, in a safe haven very few people have access to.

Supreme Court Suspends Proceedings Against EZLN Members

PA1903043795 Mexico City NOTIMEX in Spanish 0235 GMT 17 Mar 95

[FBIS Translated Text] Mexico City, 16 Mar (NOTIMEX)—The Supreme Court of Justice [CSJ] reported today that federal courts will suspend legal proceedings initiated against the armed group operating in Chiapas.

The CSJ issued a communique reporting that all actions against this group will be suspended for 30 days beginning 30 March, in compliance with Article 4 of the Law for Dialogue, Conciliation, and Honorable Peace in Chiapas, which has been approved by Congress.

The law, which went into effect when it was published in the DIARIO OFICIAL DE LA FEDERACION on Saturday, also states in Article 4 that the purpose of the suspension is to pave the way for dialogue and conciliation with the group.

The Zapatist National Liberation Army [EZLN], which initiated operations on 1 January and demanded solutions to Indian problems, broke off talks with the government in February after several of its leaders were identified.

The Congress recently passed a bill for peace and dialogue, which was endorsed by all political parties represented at the Congress and President Ernesto Zedillo. According to the law, execution of the arrest warrants issued by the courts against EZLN members will be postponed.

The Harmony and Pacification Commission [Comcopa], made up of legislators and a deputy from Chiapas, arrived in San Cristobal de las Casas on Thursday after visiting Ocosingo, Las Margaritas, and Altamirano. During their visit to verify compliance with the agreements announced by the Government Ministry, the Comcopa members visited Tuxtla Gutierrez, the state capital, and then traveled to the conflict area.

Roberto Fuentes Dominguez, the Chiapas representative to Comcopa, has reported that the message that would have been broadcast to the EZLN through Ocosingo radio station XEOCH on Thursday was postponed until tomorrow, Friday. XEOCH, a radio station of the Radio Chiapas Network owned by the state government, is the only one powerful enough to reach the people living in the jungle.

In addition, the Human Rights Commission has announced that on 20 March it will set up three camps in the conflict areas in Altamirano, Ocosingo, and Las Margaritas Municipalities to encourage the return of displaced persons. The individuals in charge of the camps will hear complaints of alleged human rights violations.

Senate Approves Law for Dialogue in Chiapas

PA1903011095 Mexico City LA JORNADA in Spanish 9 Mar 95 p 1-22

[Article by Nestor Martinez]

[FBIS Translated Text] After introducing 10 substantive reforms to eight articles of the original bill, the Senate

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yesterday approved the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas that seeks to overcome objections of the Zapatist National Liberation Army (EZLN).

The bill, which was approved by 115 votes cast by the PRI [Institutional Revolutionary Party], PAN [National Action Party], and PRD [Party of the Democratic Revolution], is the result of intense negotiation among the various political and social forces involved, so much so that the last modification of the bill occurred during the plenary session itself.

This last-minute modification, which eliminated the last three lines of the second paragraph of Article 13, was viewed by the opposition as a goodwill gesture from the government, which hesitated in the beginning but finally agreed to support it to bolster Zapatist confidence. The passage deleted from the text of the bill read as follows: "The activities carried out (by state security forces) to respond to any aggression will not imply compliance with this legislation." [sentence as published]

The other approved reforms included use of the EZLN acronym in the bill, measures to lessen tension, political conditions for a dialogue, and negotiation opportunities—to be determined by common agreement—and also suspended indefinitely the arrest warrants issued against Zapatists as long as negotiations are underway.

They also excluded the National Mediation Commission (Conai) from the so-called Harmony and Pacification Commission and called for the joint establishment of the so-called Verification Commission.

In their reports the Senate Government, Justice, and Legislative Studies Commissions pointed out the incorporation into the document of proposals to prepare for the opening of the dialogue with adequate measures and procedures.

They forsee that a timetable, agenda, and other basic aspects needed for the talks on resolving the conflict will be part of the work that needs to be done prior to the dialogue.

The commissions explained they also discussed the legal measures the federal government must adopt to guarantee the free movement of EZLN leaders and negotiators to ensure their safety and that of their relatives as well as the protection of their property.

They added that another measure needed to start the dialogue and ensure results is the establishment of physical and political conditions in mutually agreed upon areas of negotiation within which nobody may bear any kinds of weapons.

The bill includes the necessary juridical instruments to promote dialogue as well as the mechanisms required to comply with the political agreements reached in Chiapas.

The Reforms

The commissions made the following reforms to the original initiative:

Article 1 of the initiative included a supplement which became a second paragraph and incorporates the acronym of the Zapatist Army: "For the purposes of this law, EZLN will be understood to mean the group of people who identify themselves as an organization of Mexican citizens, primarily Indians, who became dissatisfied for various reasons and got involved in the conflict referred to in the preceding paragraph."

The second paragraph of Article 4 was also modified to extend indefinitely the suspension of the arrest warrants for Zapatists. The article will read as follows: "If the dialogue has begun within said term, the suspension referred to in the preceding paragraph will be maintained, provided that negotiations for the signing of the concord and pacification agreement referred to in this law continue."

A small change was made to Article 5, replacing the word "accepted" with "agreed." The text will now read: "The federal government will agree with the EZLN on timetables, agendas, and, in general, on the bases for the dialogue and negotiation of the concord and pacification agreement contemplated in this law, with the participation, as warranted, of the Concord and Pacification Commission, as indicated in Article 8. This commission will propose, by consensus, the specific times for negotiations, which will be agreed upon by all parties."

The last paragraph of Article 6 was amended to stress the security of Zapatists during so-called negotiation times. It now reads: "At the negotiation times determined by common agreement, it will be prohibited to bear any weapon. The federal government, in coordination with Chiapas State and with the participation of the Concord and Pacification Commission, will generate measures of detente and other physical and political conditions for dialogue."

Two modifications were made to Article 8; one in the first paragraph and the other in the second paragraph. It will now read as follows: "The Concord and Pacification Commission is hereby created. It will include members of the Congressional Legislative Commission for Dialogue and Conciliation in Chiapas, as well as a representative of the legislative branch of Chiapas, who will be invited for that purpose.

"This Commission will coordinate its actions with the mediation group recognized by the negotiators."

Article 10 was also amended to balance the so-called Follow-Up and Verification Commission. It will consist of two paragraphs as follows: "A Follow-Up and Verification Commission will be established once the Concord and Pacification Agreement mentioned in this law is signed or when the negotiators deem it appropriate. The Follow-Up and Verification Commission will comprise

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the following equally, in the terms agreed upon by the negotiators themselves and to which representatives of the executive and legislative branches of Chiapas will be invited.

"Additionally, the commission may invite persons or institutions it considers appropriate for the better fulfillment of its role."

Regarding Article 11, the wording of the first point of this article is modified to omit the expression "federal government and the group involved in Chiapas," not as a simple change of form but to state that the changes agreed upon within the concord and pacification process will involve both parties.

The part of the aforesaid article reads: "Following up on the commitments agreed upon within the concord and pacification process, to promote full compliance with them."

Finally, as noted above, the plenum decided to eliminate the last three lines of the second paragraph of Article 13 to give greater confidence and security to the Zapatists during the dialogue.

Yesterday's intense debates in the Chamber of Deputies began early when the draft commissions met to put the finishing touches on the document.

Everything was almost finished the night before, but there was still noise among the opposition, especially the PRD, over the second paragraph of Article 13.

The Institutional Revolutionary Party [PRI] senators and deputies, including Dionisio Perez Jacome, were present when the articles were drafted. They were adamantly opposed to striking the whole paragraph so as not to send the wrong signal to the Mexican Army. It was unofficially learned that the official proposal had come from the Government Secretariat.

The discussion of this issue was prolonged and thorny. As a matter of fact, the plenary session had been set for 1200 but was delayed until 1400. Fernando Ortiz Arana himself, along with Gustavo Carvajal, president of the Senate Government Commission, and Deputy Perez Jacome, among others, tried to find come up with wording that would satisfy the opposition.

Several proposals failed to win them over. One proposal was the same as Article 13 in the original draft.

At the very last minute, however, minutes before the plenary session was to begin, it was agreed that only part of the article would be omitted; specifically, the three most troublesome lines. The PRD agreed to the deal and offered to present the text for discussion by the plenum.

The debate was clinched from the beginning. Even PRD lawmaker Felix Salgado Macedonio, who had said he would vote against the text, abstained. Tabasco Senator Auldarico Hernandez, also from the PRD, did the same.

Ten people from three parties took the floor. Every one of them—even Irma Serrano the "Tigress"—recognized the resolve and efforts of the commissions and interested parties to reach an agreeable proposal.

There was discussion about the constitutionality of the bill, the historic significance of the initiative, the need for peace in Chiapas, hopes....

Porfirio Munoz Ledo returned to the Chamber, but as the president of the PRD. Speculation had it that he was trying to "tie up some loose ends" among his party's legislators, which he was unable to do.

When it was time to vote, 115 senators approved the motion. General Alvaro Vallarta was firm when called to vote: "With hope and faith, yes."

Army Commander Assesses EZLN Capabilities, Strength

PA1703151695 Mexico City REFORMA in Spanish 14 Mar 95 p 1A

[Report by Juan Manuel Alvarado]

[FBIS Translated Text] Lacandona Jungle—Members and leaders of the EZLN [Zapatist National Liberation Army] are currently dispersed, unable to communicate directly, and are vulnerable to any attack by the federal government, which means that they could be defeated in a short time.

According to a report issued by a commander of the Mexican Army in this jungle area, the EZLN has been completely surrounded and could be wiped out should authorities issue an order to that effect. The military commander, who asked not to be identified, said that "we know that the Zapatists, both leaders and militants and those they call militiamen, are completely dispersed and cannot communicate with each other."

"'Subcommander Marcos' is not very far from us and his personal guard is not with him. I can assure you that right now we are being observed by Zapatist watchmen."

He added that an Army study indicates the Zapatists are not in a critical situation because they have stored food received through caravans organized by nongovernmental organizations.

"I cannot predict how much time it would take us to wipe out the EZLN, as you say. I can say, however, that we could occupy the area and defeat the EZLN in a very short time," he stressed.

Despite that certainty, he added, there is still hope that the problem will be resolved through dialogue.

He does not underestimate Subcommander Marco's capabilities, or that of his militia as this relates to their courage or strength, but has doubts about their weapons.

"The subcommander is very well prepared, and very cunning. He must be. Evidence of this is the fact that

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while we were preparing to occupy the jungle, he was once step ahead of us," the military officer stated.

The Army commander pointed out that through satellite surveillance they have been able to pinpoint the places scattered through the jungle where the EZLN sympathizers are in hiding and even where their fighters are most likely located.

He also indicated that they have trained three infantry battalions specializing in jungle warfare, each with 800 units carrying light equipment and smaller but more powerful weapons.

"We will be here ready to enter into action when President Ernesto Zedillo gives the order. We will be awaiting the results of the dialogue, and if there are no positive results, then we will have to resort to military force," the Mexican Army commander indicated.

Legislative Commission Meets Government on EZLN

PA1603203395 Mexico City LA JORNADA in Spanish 13 Mar 95 p 6

[Report by Jesus Aranda, Ciro Perez Silva and Roberto Garduno Espinosa]

[FBIS Translated Text] Agents of the Public Prosecutor's Office assigned to Chiapas who were carrying out the orders to arrest alleged EZLN [Zapatist National Liberation Army] leaders, have suspended, for the time being, their pursuit. The same goes for Mexican Army soldiers who reportedly have stopped their advance into the area of conflict.

PGR [Attorney General's Office] sources and members of the legislative commission for Chiapas have indicated this. The latter, by the way, met on Monday with Government Secretary Esteban Moctezuma to review progress in the implementation of the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas, which entered in force yesterday.

The legislators discussed with Moctezuma negotiating options to obtain the physical and political conditions for the peace talks between EZLN members and government representatives.

In this regard, members of the commission commented they expect the full support of the Mexican Army in the designation of "areas" and "corridors" that would allow the Zapatists to reach the meeting place.

By enacting the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas, approved by Congress on 9 March, it was decided not to take any legal action against those charged as the main leaders of the armed movement.

Nevertheless, agents of the Public Prosecutor's Office will remain in a state of alert to fulfill any counterorder issued by the PGR authorities.

They also point out that the federal authorities, acting within their purview, will uphold sovereignty, security, and public order, coordinating their actions with state authorities.

According to a Federal Judicial Police source, this law's stipulations do "not prevent" the exercise of the powers granted to the responsible authorities, the Mexican Army and the PGR, to guarantee security and justice in Chiapas.

This confirms that the Public Prosecutor's Office will not totally withdraw from the area of conflict.

The draft bill President Ernesto Zedillo sent to the Senate on 2 March, to be supplemented and modified, provided for:

"the suspension of the investigations and legal proceedings initiated against members of the nonconformist group who are eluding justice.

"This situation will allow the negotiators designated by this group to participate by guaranteeing their safety and free movement. In adddition, they will not be detained during the talks with government representatives aimed at reaching an agreement of harmony and pacification."

In this context, there are also measures to guarantee the physical and political conditions for the talks in the negotiating area where no type of weapons will be allowed. These are also meant to guarantee the negotiators' free movement and safety.

One week later, the Senate approved the presidential draft bill for Chiapas but with 10 meaningful amendments aimed at "overcoming the EZLN's objections." Among these are: the modification of the second paragraph of Article 4 intended to indefinitely broaden the period of suspending action against the Zapatists.

This was amended as follows: "If the talks have been initiated within the said schedule the suspension mentioned in the previous paragraph will continue to prevail as long as negotiations for the signing of the harmony and pacification agreement to which the law makes reference continue.

As far as the safety of the negotiators is concerned, the last paragraph of Article 6 was modified to read: "in the negotiating areas decided upon by mutual agreement, no type of weapons will be allowed. The federal government, in coordination with Chiapas State and with the participation of the legislative commission, will establish measures for a detente and other physical and political conditions for the talks."

One day later, the Congress approved the law for Chiapas that President Ernesto Zedillo had submitted.

During this session, one of the Party of the Democratic Revolution (PRD) factions remarked that Article 13 of the law "is totally unnecessary" and represents a concession to "the hard liners" who are still in the government

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since "it does not add anything to the proposed bill and, to the contrary, it creates a ruckus and raises suspicions as to its trustworthiness."

It was even argued that "if the arrest orders are already suspended there is no legal justification for the Mexican Army to remain in Chiapas.

Although the EZLN demanded the withdrawal of public security and military forces, agents from the Federal Prosecutor's Office deployed in the area of conflict only received orders to remain alert pending developments in the situation.

Bishop Ruiz: Turning Point Reached on Chiapas Talks

PA2003202395 Mexico City NOTIMEX in Spanish 2012 GMT 17 Mar 95

[FBIS Translated Text] Mexico City, 17 Mar (NOTIMEX)—National Mediation Commission (Conai) President Samuel Ruiz Garcia said today that "a turning point" has been reached in Chiapas on the resumption of negotiations between the Mexican Government and the Zapatist National Liberation Army [EZLN]. But Ruiz said that conditions are not yet "very favorable" for dialogue because "much has yet to be accomplished" to make the communities feel confident enough to return to their hometowns. After meeting with Government Secretary Esteban Moctezuma, Ruiz pointed out that certain communities have said that "they will not return home unless the Mexican Army withdraws, "not just a certain distance, but far away from the area" so that they can return in peace. The president of Conai, the organization mediating the armed conflicts, pointed out that other groups have already returned to their hometowns.

Ruiz expressed the view that although messages have already been exchanged between the EZLN and the Mexican Government, other measures for detente must be sought so the people will not be afraid. Ruiz said he is optimistic about the initiation of peace negotiations in Chiapas. "I have never been pessimistic," he said.

On 16 March the EZLN announced that it had agreed to an "episcopal" dialogue with the government, adding that the dialogue would be direct once the Mexican Army withdraws from the positions it occupied on 8 February. The EZLN pointed out that it will resume talks with the government through Conai to try and reach an agreement that will allow the state to achieve peace.

Government Detente Measures in Chiapas 'Positive'

PA1703192595 Mexico City REFORMA in Spanish 15 Mar 95 p 2A

[Report by Guadalupe Irizar, Juan Manuel Alvarado, Georgina Solis, and Daniel Pensamiento]

[FBIS Translated Text] Conai [National Mediation Commission] representatives, political parties, Harmony and Peace Commission members, and the Attorney General's Office [PGR] yesterday stated, albeit in different tones, that the detente measures in Chiapas that the federal executive branch announced provide the conditions to hold talks and are positive.

In San Cristobal de las Casas, Chiapas, Bishop Samuel Ruiz Garcia said that the move that the president ordered is only the first step in holding talks. He denied that the Zapatist Army had already replied to the recently approved Dialogue, Harmony, and Peace in Chiapas Law. He also announced that he will meet with the recently created Harmony and Peace Commission today.

Meanwhile in Mexico City, the PAN [National Actions Party] national leadership pointed out that it would be regrettable if the EZLN [Zapatist National Liberation Army] rejects this new path that is opening and that was so difficult to forge to find a definite and fair solution.

PAN Secretary General Felipe Calderon Hinojosa said that an army of doctors and specialists from all production sectros and in all those areas that must be reactivated for the sake of Chiapas residents must now be deployed to Chiapas.

Luis Felipe Bravo Mena, who is a PAN member and the spokesman for the Harmony and Peace Commission, insisted that so far, this commission has not received an official reply from the EZLN and that it hopes it will soon hear from the Zapatists.

Pablo Salazar, PRI [Institutional Revolutionary Party] senator and Harmony and Peace Commission president, earnestly hopes that the poor Chiapas people will not have to add the scourge of war to their miseries. He claimed that "peace is costly, but war is more costly."

Mario Saucedo, PRD [Party of the Democratic Revolution] secretary general, maintained that there are no obstacles that could prevent the two parties from beginning to discuss the conditions for talks. However, he requested the release of those Zapatists who were arrested in February.

In the meantime, Senator Heberto Castillo asserted that the conditions for talks were already given with the announced detente measures. "The PGR believes the conditions are adequate," Deputy Attorney General Hiram Escudero underscored.

Greenpeace Is Lying

In Tuxtla Gutierrez, Governor [title as published] Julio Cesar Ruiz Ferro indicated that the military presence contributed to establishing the state of law in the area of conflict. "The reports issued by certain groups such as Greenpeace, stating that the Mexican Army is persecuting Indians and peasants in the area of conflict, are

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false. On the contrary, the Army is carrying out social projects that the people themselves are demanding," he stressed.

The president unveiled a 5.5-million-new-peso cost-investment plan for Chiapas in 1995.

Peace Commission Coordinator on Government, EZLN Dialogue

PA2003162795 Mexico City NOTIMEX in Spanish 0054 GMT 19 Mar 95

[FBIS Translated Text] Mexico City, 19 Mar (NOTIMEX)—The legislative branch's Harmony and Peace Commission today termed as positive and encouraging the progress achieved at 30 communities in Chiapas State (southeastern Mexico) regarding the peace measures adopted by the Federal Government.

During a meeting held in this city today—one week after the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas was published—Government Secretariat officials and the commission analyzed the results achieved so far.

During the meeting between officials and legislators they "agreed to urge all the groups of Chiapaneco society to support the atmosphere of peace that is being sought in the area."

The commission's coordinator, Senator Oscar Lopez Velarde, said today the dialogue between the Mexican Government and the Zapatist National Liberation Army (EZLN) might begin next weekend.

The legislator told NOTIMEX that the EZLN leadership notified the commission about its decision to participate in a dialogue and it submitted proposals to resume the talks, which seek to solve the Chiapas conflict that began in January 1994.

Lopez Velarde, one of the 13 legislators who comprise the Harmony and Peace Commission, said the Mexican Government also wants to start a definite dialogue for the achievement of peace in Chiapas and is willing to study the EZLN's proposals.

The senator said the Harmony and Peace Commission and the National Mediation Commission (Conai) are preparing a document with the guidelines to start the dialogue and will establish the physical conditions to hold the dialogue.

To conclude, the Government Secretariat and the Harmony and Peace Commission stated their confidence that the measures for peace in Chiapas "will be consolidated in the near future, favoring the people's return to their communities and the normalization of their activities."

Harmony, Peace Commission Concludes Chiapas Tour

PA2003131895 Mexico City NOTIMEX in Spanish 1734 GMT 18 Mar 94

[FBIS Translated Text] Tuxtla Gutierrez, 18 Mar (NOTIMEX)—The members of the Harmony and Peace Commission concluded their two-day tour of the southeastern state of Chiapas following the armed group's agreement to resume a dialogue.

The legislators who comprise the commission visited 30 communities in Ocosingo, Altamirano, and Las Margaritas municipalities in Chiapas.

In a communique, the commission notes that during the tour, it confirmed the need to institute a comprehensive peace and reconciliation process for all the area's communities, in addition to political, economic, and social measures.

The commission also says as the process begins, it is easy to see that the measures for reducing tension are in fact being implemented. In several areas the military has moved out of the towns, far enough to allow the measures to have the desired effects.

In others, the communique adds, the military is no longer present in town centers, but on the outskirts, which has made reducing tension a little more difficult.

The document further explains that the population in a majority of towns the commission visited reported that Mexican Army checkpoints have been removed, although the legislators said that several are still in place.

The commission also confirms that it did not seen any intensive troop movements or deployment of military equipment.

Regarding the return of refugees to their homes, the communique indicates that this has been occurring in some communities. Nevertheless, the team believes it is urgent to increase measures to provide them with food, health care, transportation, and security.

The document concludes by stating that it is essential to implement a comprehensive peace process throughout the area and to assist the people as they return to their normal way of life with urgent political, economic, and social actions.

The Harmony and Peace Commission was created within the framework of the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas, approved by the Mexican Congress. The law sets forth the legal basis for finding a peaceful solution to the armed conflict in Chiapas State.

Human Rights Commission Installs Camps in Chiapas

PA2103200195 Mexico City NOTIMEX in Spanish 2209 GMT 20 Mar 95

[FBIS Translated Text] Mexico City, 20 Mar (NOTIMEX)—The National Commission for Human Rights [CNDH] will install today in the southeastern Chiapas State nine permanent camps in the area of conflict to render humanitarian aid to the most affected communities.

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Pablo Romo, executive secretary of the Fray Bartolome de las Casas Human Rights Center, explained that the camps will not only efficiently distribute humanitarian aid, but will be an opportunity to create "neutral areas" without the presence of the armed group or the Mexican Army.

More camps for peace can be created with the support of national and international organizations, which may be offered as a possible venue for talks between the armed group and the government.

Two camps will be installed today in Patihuitz and Tacitas, in Ocosingo Municipality, and in the most affected communities in Las Margaritas and Altamirano Municipalities.

Romo explained that the camps will help rebuild daily life in the communities and support planting and harvesting, thereby averting famine.

In Tuxtla Guitierrez, the delegation from the Social Development Secretariat reported that about 4,000 displaced people from the area of conflict returned home to Las Canadas in Ocosingo and Las Margaritas Municipalities.

Romo said that statistics indicate that there are 17,000 displaced people; of this figure, 4,645 people returned to their communities over the weekend.

He stressed that 80 percent of those displaced, who left their homes last year when the Zapatist National Liberation Army (EZLN) violently took over several Chiapas municipalities to demand Indian rights, are from Las Margaritas and Ocosingo.

According to the official census, 41 percent of those displaced are from Ocosingo, 39 percent from Las Margaritas, 9 percent from Altamirano, 5 percent from Independencia, 4 percent from La Trinitaria, and 1 percent from Comitan.

The Tuxtla Gutierrez diocese expressed happiness over the return of the displaced to their communities and said that this is a step forward toward reconciliation in the state.

Meanwhile, the Harmony and Peace Commission noted the possibility that the dialogue between the government and the armed group will resume this weekend.

The commission said that the EZLN announced its decision to sit down to talk and made proposals to restart the talks that seek to solve the conflict in Chiapas State.

Russia To Place Satellite in Orbit 28 Mar

PA1903192595 Mexico City UNOMASUNO in Spanish 15 Mar 95 p 2

[Report by Lourdes Sierra Arenas]

[FBIS Translated Text] Carlos Velasquez Rivas, president of the Mexico-Russia Enterprises Committee, and Aleksandr G. Chesnovok, president of the Russia-Mexico Enterprises Committee, have reported that the Mexican and Russian scientific communities will place Mexico's first science and technology satellite in orbit on 28 March at a cost of $6.1 million. Velasquez and Chesnokov also noted that a dozen projects for joint Mexican-Russian investments already exist.

At a news conference at the Business Coordinating Council (CCE) Building, Velasquez and Chesnokov said the Mexican scientific community contributed $100,000 toward the development and design of the satellite, while the scientific community will contribute $6 million to launch the satellite, which has no commercial uses, only scientific ones. They believe that this endeavor not only shows an interest in the creation of joint investment companies, but it also shows interest in strengthening economic, scientific, and commercial ties between the two nations.

On this last point, Velasquez and Chesnokov said a bank for these enterprises will be established to help obtain the economic and intellectual resources needed to stabilize the economies in the two countries. Meanwhile, an agreement was signed to eliminate double taxation in an effort to encourage the growth of these companies.

Regarding trade between Russia and Mexico, it was reported that in 1994 bilateral trade totaled $57.3 million, compared to $63.9 million in 1993. According to the trade representatives of the Russian Federation in Mexico, Russian exports to Mexico reached $47.8 million, compared to $28 million in 1993, which represents an increase of 70.7 percent.

Further on Satellite Launch

PA2103044095 Mexico City NOTIMEX in Spanish 1658 GMT 18 Mar 95

[By Fernando Orozco LLoreda]

[FBIS Translated Text] Moscow, 18 Mar (NOTIMEX)—David Liberman, director of the Mexican Project for Space Research, said today the first scientific research satellite made in Mexico will be launched into orbit on 28 March.

Several hours before going to the Presetz Space Center, Liberman told NOTIMEX the Mexican satellite will conduct experiments targeting black holes and will measure the velocity of meteorites reaching the Earth's atmosphere.

The Mexican satellite, with an orbital weight of 10.7 kg, is considered one of the "pioneers in space miniatures, because it is a complete and complex instrument consisting of more than 600,000 active electronic components," Liberman said.

Liberman added Russia, the United States, and other countries have stated that "space miniatures will be the

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future solution to this issue" due to the financial difficulties faced by space research.

Liberman, director of the "UNAM-SAT-1" project, heads the University Program for Space Research and Development, PUIDE, which is being developed by the National Autonomous University of Mexico (UNAM).

The scientific research satellite that will be launched on 28 March was developed by a group of eight UNAM engineering students, five of whom have already received their engineering degrees, and the remaining three will graduate soon.

This satellite is the first Mexican one, because the geostationary communications satellites "Morelos" and "Solidaridad" were paid for by Mexico but were developed abroad and were never on Mexican territory.

The Mexican satellite will be launched into space by a Russian rocket and will separate from it 19 minutes after launch.

At 98 minutes after launch, when it completes it first orbit around the earth and passes over Moscow, the space station, which is at the Moscow University campus, will begin monitoring the satellite.

The scientific research satellite will fly at a maximum altitude of 675 km above sea level at a velocity in relation to Earth of 27,000 km per hour, which makes it the "fastest" moving Mexican made object.

Liberman said the useful life of the Mexican satellite is four and a half years, but because the satellite will be in a stable, circular orbit, with a slight inclination of 7.5 degrees in relation to the Equator, he expects it will remain in space for a longer period.

The Russian Cosmodrome at Plesetz, located 700 km north of Moscow, will be the launch site. An average of 460-470 rockets with various kinds of satellites and cosmic instruments are launched into space from Plesetz each year.

The Russian-Mexican "RUMEX" joint project established by UNAM and the "Lomonosov" State University of Moscow has made possible the use of the installations of the Russian Cosmodrome for the satellite's launch. The Mexican satellite was fully financed by UNAM.

The Sterenburg Institute in Moscow has made available an observatory to Mexican specialists and has conducted studies on the separation of the satellite from the Russian rocket, the orbit it would have in space, and the interphase with the rocket that will transport it.

Mexican researchers have taken the final preparations and have made adjustments to the satellite, placed the devices for the satellite's separation from the rocket, and left pending the placement of the charges, which will be done in Plesetz in the next few days.

The Mexican satellite and Liberman will travel from Moscow to Plesetz by train tonight. The satellite will be launched the morning of 28 March between 0800-1300 hours local time (0300 Mexican time).

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Guatemala

President Addresses Copenhagen Summit

PA2003150795 Guatemala City SIGLO VEINTIUNO in Spanish 17 Mar 95 p 21

[Speech by President Ramiro de Leon Carpio at the United Nations World Summit for Social Development in Copenhagen, Denmark on 12 March]

[FBIS Translated Text] Mr. President, fellow government leaders, delegates, friends:

It is important to be here today, sharing with you a challenge we all face: the fight against poverty; in other words, the struggle for the respect of the economic, social, and cultural rights of humanity, of boys and girls, women, young people, adults, the elderly—all human beings.

That is why I want my speech to be, above all, an appeal for reflection, so that jointly we may analyze the difficult living conditions of the majority of the people of our planet and so that we can try to find lasting solutions to one of the most dangerous contradictions in the world at the end of this millennium: a very wealthy planet, the majority of whose inhabitants are poor.

We know well how serious and complex the problems which have brought us together are. We also know how much effort and resources have been invested to try to address and resolve them, but we must also recognize that things have worsened. The poor are now poorer, and they are living in extreme poverty.

The dichotomy and contradiction between rich and poor is evident within each country and expands to rich and poor countries, worsening the social disintegration of the entire world.

It is therefore important to recognize there is a worldwide consensus in accepting that things are not working and that economic growth has not been the real answer to all the problems faced by the people of the world.

We have observed how the concepts of development in the East and the West have confronted each other, and today we can verify the lack of results and the lack of capacity to guarantee development for everyone.

The end of the Cold War enables us today to analyze the world situation so as to redirect policies and strategies and adopt a new and shared vision.

The fight against poverty is now an essential issue on the world agenda. This is also a fundamental objective of our national agenda when we are about to sign a peace agreement with the guerrillas and thus end the domestic armed confrontation that our people have suffered for more than 34 years. After having rescued, preserved, and strengthened the institutions and the democracy that had been weakened in my country, my government undertook, among other strategies and as part of the fight against the poverty of the majority of our people, structural fiscal and administrative reform and the modernization of state institutions for a greater, more efficient, open, and honest investment of public funds for social needs.

My government, inspired by the principles of assistance and solidarity, is ensuring that its resources reach needy people through investment funds: the Social Investment Fund, the National Fund for Peace, the Indigenous Fund, the Fund for Land, and—through development councils—the Solidarity Fund.

In addition, a social revolution is in progress through the fight against corruption and through administrative, economic, and fiscal decentralization, which is creating an authentic culture of community participation in Guatemala.

At the global level, it is evident that the friend-enemy dichotomy has been abandoned after pitting man against man and people against people. Our current declaration of war has other objectives: to fight and defeat poverty, and free individuals and peoples from extreme poverty, hunger, illness, lack of housing, and illiteracy.

As a former human rights ombudsman and today as president, I am convinced that death by hunger and malnutrition is as unjust and criminal as a life cut down by a bullet, a knife or a terrorist bomb.

Human, economic, and social rights are a condition for efficiency and guarantee of individual rights.

Let us ask ourselves: Why have things not worked? Have we not adequately defined priorities? Is it that we have left aside the most important aspect of nature? Is it that there is no place for human beings in our programs? The models we have followed to date must be revamped.

Let us think about where the wealth of our planet resides. I firmly believe that the subject and objective of development is man and, therefore, our efforts must be directed toward human beings.

We must enable human beings to be the generator of their own wealth, that of their country and, in turn, that of the entire world.

We must work to build a just social order in which the individual and his dignity will maintain primacy over any type of structure.

A human being, without education, without health, and without minimum conditions for his own development, is incapable of generating, producing, competing or consuming.

The improvement of the quality of life of individuals is directly linked to the achievement of peaceful coexistence, based on the generalized and equitable well-being of peoples.

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Within this focus, the participation of women must be highlighted. According to statistics, 70 percent of the world's poor are women and it is not by chance that their situation is linked to the lack of education.

This must constitute an important element in the definition of priorities in the fight against poverty.

Just as the World Trade Organization was recently created as a result of the Uruguay Round of GATT and as an answer to the concern of governments about the regulation of world trade, why do the countries participating in this social summit not answer the no less important concern about the fight against poverty?

It is time to move from the good intentions contained in excellent documents to expressing our political resolve with results. People are dying daily, and those on th brink due to lack of attention and extreme poverty can wait no longer.

I want to express my desire that this world summit for social development be the starting point of what we could term the "Copenhagen Round," which would enable us to move toward a "World Social Pact," that will set the stage for a different coexistence among the peoples of the world, based on justice and social solidarity.

The challenge we face is one of tremendous magnitude. It makes necessary true solidarity between poor and poor, rich and poor, rich and rich.

Let us accept the challenge and along with a world trade organization, let us move forward with a world organization of the human being, through which individuals, peoples, and countries can thoroughly explore the new regulations that should govern our relations. Thus, life and world peace can exist and be consolidated on different levels, overcoming those differences that today, more than ever, are a challenge at the end of the 20th century, so that the authentic development of humanity will become a reality.

Thank you very much.

URNG's Monsanto: Government Abandoned Peace Talks

PA2003134895 Mexico City NOTIMEX in Spanish 2032 GMT 18 Mar 95

[Report by Armando Martinez]

[FBIS Translated Text] Mexico City, 18 Mar (NOTIMEX)—Guatemalan guerrillas today accused this country's governmental National Commission for the Consolidation of Peace (Copaz) of abruptly and unilaterally withdrawing from the "petit comite" (small delegation) meeting being held in this capital city.

Pablo Monsanto, member of the Guatemalan National Revolutionary Unity's (URNG) General Command, told NOTIMEX that the government delegation withdrew from the negotiating table without prior notification of the United Nations or the guerrillas. "The Guatemalan Government is responsible for the standstill in the dialogue and has been acting deceitfully," Monsanto added in stressing that Copaz intends to create conditions that could lead to breaking off the peace negotiations. The guerrilla leader rejected the notion that time limits had been established during the negotiations that would make it more difficult or would block an agreement leading to peace in Guatemala. He said that these efforts are supported by the United Nations.

This past Wednesday [15 March] in Guatemala, Copaz President Hector Rosada blamed the URNG leadership for the failure of the recent closed door round of talks that began on Monday in Mexico City. According to the government representative, the guerrillas asked for two more days to study the UN proposal to try and reach an internal agreement on the Indian issue which has been under discussion since 1994.

"Rosada's statements were deceitful and were designed to create confusion and conditions that could lead to breaking off the negotiations," Monsanto added. The guerrilla commander indicated that the meeting of the delegations had been called by the United Nation to study procedural issues that would allow the reinitiation of talks on the Indian peoples, the civilian sector, and political parties.

For the last 34 years Guatemala has been involved in an internal armed conflict that has caused the deaths of at least 150,000 people and the disappearance of another 75,000. The conflict has also displaced more than 1 million and left thousands orphaned and widowed.

Monsanto said that the government delegation withdrew from the talks after having submitted 12 observations on the most recent UN draft on the rights and identity of the Indian peoples. According to the guerrilla leader, Copaz declined to participate in meetings with the mediators on Thursday and URNG representatives on Friday.

The administration of President Ramiro De Leon Carpio refuses to include the issue of the Indian peoples, their political organizations, and their political rights in Guatemala's Political Constitution. Monsanto added.

He said that UN officials Jean Arnault and Gilberto Schliter are still in Mexico awaiting Copaz's possible return to the dialogue on Sunday if the government should decide to return to the negotiating table.

Rosada stipulated that Copaz would return to Mexico this weekend if the URNG finishes evaluating the document. Otherwise it will await a new summons from the United Nations. This report was disputed by the guerrilla leader.

A meeting between the government, the URNG, and Guatemala's Civilian Sector Assembly is scheduled for 27 March to begin discussions on the country's socioeconomic reality.

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Differences on the Indian issue have stalemated the talks between the De Leon Carpio government and the URNG.

On the other hand, the URNG commander said that the Guatemalan guerrillas promised the United Nations Mission for Guatemala (Minugua) that they would refrain from sabotaging electricity pylons and from carrying out other types of military activities. Monsanto explained nevertheless that the URNG reserves for itself the right to undertake any operation designed to prevent the Armed Forces from expanding its scope of operations. In this respect, Monsanto accused the Army of doing things like murdering journalist Jorge Carpio just so they could blame the URNG.

Honduras

Finance Ministry Unable To Meet Commitments to IMF

PA2103145395 San Pedro Sula TIEMPO in Spanish 16 Mar 95 p 3

[FBIS Translated Text] Tegucigalpa—Finance Minister Juan Ferrera said yesterday that his ministry urgently needs an overall restructuring to be able to meet the fiscal goals required by the government and the international financial organizations.

Ferrera made these comments after meeting on Tuesday [21 March] night with his closest aides to discuss, among other things, the current status of tax collection.

The meeting with Tax Office Director Marco Tulio Mendieta, Cristina Nufio de Figueroa, finance and public credit deputy minister; and Ramiro Lozano Landa, under secretary of revenue, was prompted by the constant debate among the officials with regard to noncompliance by the government in terms of promises made to the international organizations.

Last year, the government made a commitment to the IMF to collect 6.3 billion lempiras in taxes. Nevertheless, Congress only approved 5.32 billion in the national budget.

In this regard, Ferrera said that what is important now is to create an organization within the Finance Ministry to comply with the fiscal goals proposed by the government and, above all, to strictly comply with the reduction in public spending.

He indicated that currently the Finance Ministry and other government officials must join efforts to meet the commitments made in order to maintain access to credit from the international organizations.

At the meeting a plan by Revenue Executive Director Hector Bulnes to make tax collection more effective was unveiled.

Lozano Landa said that the plan will be studied before it is made public.

Nicaragua

Minister: Layoff Plan Not To Have Negative Impact

PA2103213595 Managua BARRICADA in Spanish 17 Mar 95 pp 1, 2

[Report by Leonardo Coca Palacios]

[FBIS Translated Text] Finance Minister Emilio Pereira has stated, "The Labor Mobility Plan [PML] will have no negative effects, as some believe, because the private sector will draw all the employees who take advantage of it."

He added: "Capable people leaving the state sector will contribute, from the private sector, to the development of the national economy. We will promote the private sector and open up to the world market so there are more employment sources."

The minister said that this year the World Bank and the Inter-American Development Bank will fund $23 million to restructure the state.

Central Bank President Jose Evenor Taboada, however, contradicted Pereira by affirming that "payment for employees participating in the plan will come from the respective state institutions."

Pereira denied that the goal is to dismiss 13,000 employees in two months but to implement an "attractive plan" to accelerate the reduction of the state sector, "because if we do not implement the PML plan and privatize the Nicaraguan Communications and Postal Services Institute [Telcor], the financial organizations would suspend their aid."

The Sandinist Labor Central [CST] does not have yet a plan of action in case public employees are pressured into massively subscribing to the plan.

The CST Executive Committee will meet today to determine what actions to adopt and what proposal to present.

Labor leader Damaso Vargas said: "We have no specific proposal on this problem, but we are sure that the institutions most negatively affected will be Telcor and the Nicaraguan Institute of Energy. We will meet to discuss this matter and establish our position."

Joaquin Cuadra Views EPS Role

95CA0160A Managua LA TRIBUNA in Spanish 21 Feb 95 pp 1, 5A

[Part one of a two-part interview with new army chief Joaquin Cuadra by Oliver Brodan, on 28 February in Managua—first six paragraphs are LA TRIBUNA introduction]

[FBIS Translated Text] Just a few hours after being appointed chief of the EPS [Sandinist People's Army],

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Major General Joaquin Cuadra Lacayo granted an interview to LA TRIBUNA in his office, located in the General Headquarters—the former Somoza Bunker—where he has worked since 18 July 1979.

Twenty-three years ago he devoted himself wholly to military life and he has no intention of leaving it for now. Today, in a solemn ceremony, the president of the Republic will promote him to the grade of General of the Army and retire the present chief of the EPS, Humberto Ortega.

But Cuadra takes over at a difficult moment for democracy. The executive and legislative branches are locked in a bitter struggle over promulgation of the constitutional reforms, and the new general confronts a basic dilemma: The constitution he will swear to uphold is in the eye of the hurricane. The legislative could order promulgation of the reforms without the approval of the executive.

He wears his military uniform impeccably, and a statuette of Sandino adorns his office, together with paintings by Nicaraguan artists and photographs of his days as a Sandinist guerrilla, in which he appears laughing or relaxing in the company of German Pomares, Carlos Nunez, Tomas Borge, and Daniel Ortega, his former companions in clandestine activity.

On 19 July he went to receive the National Reconstruction Government Junta, and when he returned to the Bunker he was offered the position of chief of the General Staff of the nascent EPS, a position he has held until today.

The first order he will issue as chief of the Army tomorrow, the 22d, will appoint Colonel Javier Carrion as his replacement on the General Staff, at which point he will also request the presidency to promote Colonel Carrion to the grade of Major General.

[Brodan] Today, you will become the first general of the Army to assume that position without a war in progress. How do you feel?

[Cuadra] As a participant in an event of such importance to the life of our country and its history, I cannot help feeling a certain emotion. It cannot do other than make one feel a bit nervous. More than anything, I feel a profound satisfaction. It is a major challenge, although it comes in addition to others I have had in my life.

I feel the confidence, the inspiration, the certainty that I shall be able to meet this challenge successfully. My confidence is strengthened by the fact that I have the support of a highly qualified, highly skilled, and dedicated human working team.

I believe—and in this I believe that my thoughts coincide with those of our country's principal political observers—that for the first time in our country's history, a change in the leadership of the Army is taking place within the framework of the law, with the political consensus of virtually all the country's influential leaders.

There is a substantial difference between, on the one hand, assuming the leadership of the Army in the midst of a conflict and controversies with certain sectors, and, on the other hand, assuming it with this basic consensus that the Army has built for itself in the Nicaraguan society, after having weathered some very difficult crises and situations.

These have included, first, some very difficult periods of transformation within the institution, and the discharge of hundreds of brother officers who were turned out on the streets in very precarious circumstances. And this, after the Army's having occupied a highly polarized situation in the country as regards its role, and that of its officials, and of the very institution itself.

Today, this change is taking place harmoniously, in keeping with the dictates of a system governed by law, and of that law. This, for us, has momentous value and significance.

[Brodan] The Army has consistently declined to take a stand in the crisis between the legislative and executive branches with respect to the constitutional reforms. What is your position in this regard?

[Cuadra] We shall comply strictly with the law. Like Cardinal Obando, we believe that the Army and the church must position themselves outside the bounds of party politics. No one can say that the Army either favors or opposes the constitutional reforms, because we consider it unquestionable that to do one or the other is to engage in politics.

Other sectors, however, such as the Catholic Church, have very clearly expressed positions in this respect.

[Brodan] What will the Army's position be if the president orders it to support a coup d'etat by the government itself?

[Cuadra] The president cannot ask us to do something that goes against the constitution. She cannot order us to do something that contravenes the law. That would be unlawful. We are fully convinced that the president will not ask us to do that; but should she do so, we would not comply with her order.

There is absolutely no possibility of a coup d'etat that overrides everything and uses force to attain any objective whatever. The current reality is devoid of all possibility, capability, or expediency of such a move. Employing force to resolve political problems would be the worst damage that could be inflicted on this country.

That historic possibility in our country has now been entombed in our past. Our problems are being resolved by waving political banners, having political debates, and making agreements. But none of the branches of government can say that it could call upon the use of

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force to resolve the problems. And that is one of our great achievements, something never seen heretofore in the history of this country.

In other circumstances, as likely as not, one sector of the Army would already be saying that it favors the reforms and another saying it opposes them, and a war would soon be underway. Now, no one can prevail over the other, unless it be through ideas. There has been no meddling by this institution in what is going on in the national assembly and in its sovereign decisions, as there must not be in the decisions that the government of the Republic makes.

[Brodan] According to some political analysts, the president certainly will not promulgate the reforms, and the assembly will therefore order them published. If this happens, to which of these constitutional orders will the Army adhere?

[Cuadra] This would undoubtedly present a difficult situation, a unique and complex situation. It would mean that on the 21st, I would be swearing allegiance to a constitution that is valid in the view of some and invalid in the view of others.

It would be gravely irresponsible on the part of the politicians who lead this country to place the Army in the position of having to choose between this or that constitution. It would be putting the Army in a most awkward position.

In any case, we shall be guided by whatever determination this country's highest court shall make. Should there be two constitutions—valid for some and not valid for others—why should the Army opt in favor of one because it chooses to... and wield a big stick against those who do not conform? That would be regressing historically. Do they not want the Army to stay out of politics? Is that not our great advancement? Why then would we now be wanting to regress historically, merely to satisfy special political interests?

Furthermore, we do not have to support anyone. We support the law. And the Supreme Court will be the one to say just which is the constitution that governs the country. We have not wanted to let ourselves be drawn into the matter, despite the fact that attempts have been made to use us in that sense... the rumors that we are going to carry out a coup d'etat, that a Fujimori-style coup is on its way... we have debunked them, as has also the presidency of the republic.

It is a mistake to be playing this game, trying to turn things to one's advantage. We shall take a waiting position. I am going to swear allegiance to a constitution tomorrow, but it will be up to a judge to say whether that constitution is still legitimate, is still valid, or not. It will not be up to us, because we cannot set ourselves up as judges. It is an utterly awkward position, a dangerous one; and it can lead the country to a situation of profound and very grave crisis.

Some are saying that General Cuadra's acid test will be which constitution he recognizes; and this seems rather irresponsible. That will not be my acid test. My test is whether I raise the standing of this army, and contribute to a reasonable and viable resolution of a political crisis.

The crisis that is approaching is one of the most profound institutional crises I have known. Any attempt to compel the Army to interfere in this conflict is irresponsible. It is like saying to us: "You are many and you are armed... come over to our side."

In our view, the ideal, correct, and civilized solution is for the highest court of justice to say which constitution is the valid one. Unless the court decides otherwise, everyone will have to obey—from the president of the republic on down.

We do not want to see the Army manipulated politically, because the great advancement we have made is the professionalizing and depoliticizing of the Army. It is absurd to be asked to define ourselves. It would be introducing an unhealthy ingredient into the crisis. The Army does not have the last word. The courts have it. Otherwise, we are breaking the rules of the game.

[Brodan commentary]: Cuadra is 43 years old. Usually, he speaks slowly, but he raises his voice and gesticulates brusquely when he addresses a topic to which he attaches much importance. It was thus that he expressed himself when he referred to the controversial matter of La Maranosa, the place where 15 persons died, of whom 13 belonged to the "Los Meza" gang, and the other two were EPS soldiers.

[Brodan] The Army has been severely criticized by human rights organizations. To what do you attribute these criticisms?

[Cuadra] We have a profound humanistic conviction, which led us as youths to abandon our comforts and our studies and to enlist in the struggle for a cause that we believe to be just.

Human rights is a topic that is part of our inner being, regardless of whether we are wearing olive green or not.

This is not to say that errors have not been committed, but we think that those wrapped in the human-rights banners are also wrapped in the banners of special political interests. And they mistake one thing for another. For political reasons, they say we are gorillas, violators of human rights, and that each of us has a cemetery in the garden of his home. We are not an institution that systematically violates human rights.

The fact that the new military legislation contains advances as to the manner of court-martialing the military—probably Latin America's most innovative changes—seems to me to ensure greater transparency in the Army's proceedings in this respect.

Heretofore, the people attributed little credibility to the proceedings of the military tribunal, saying that it was kindly toward the military who committed crimes.

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That was the major problem with the tripartite commission. We opened to them the entire judicial proceedings of the military tribunal against the military personnel accused of having been involved in the violation of human rights. Upon the recommendation by the commission, we even reopened the court proceedings. And as a result of the second trial, the accused were absolved. Nevertheless, those people did not believe in the courts; the courts did not satisfy them.

We are working diligently to reorganize the military courts, for the trying of typically military crimes. We will be according them the hierarchical status that is their due in the Army.

The new case is now La Maranosa. The civil court authorities will be having the last word. If now these human rights commissions do not believe the findings of a civil tribunal, we are indeed in a bad way. After all, we do have to believe in someone.

There has to be a point of reference in which we can believe. If before they did not believe in the military tribunal, and now they do not believe in the civil tribunal, whom are they going to believe in? Who then will be coming to Nicaragua to try us?

We must play the game in accordance with clear-cut rules. If the civil tribunal plays according to a set of rules, whether some persons like them or not, those persons must swallow their liking or disliking of the rules and accept them as legitimate. They cannot place them at issue and claim that the Matagalpa Appeals Court, which will rule in the La Maranosa case, has been bought off.

Nor can we have the attorney general of the republic—appointed by the president, and a civilian who has no connection whatever with the Army—handing down a finding, and the commission claiming that it does not credit it because the attorney general is tied to the Army.

Where then is the limit to all of this? We Nicaraguans have to believe in something: in our system of justice and the laws in existence. If these do not convince us, let us seek the way to change them through the proper mechanisms. Otherwise, anarchy will reign supreme here.

[Brodan] Would the EPS recognize an official accusation by the civil authorities in this case?

[Cuadra] Totally and absolutely. We will abide by the results of the investigation and the verdict of the civil tribunals. Around the beginning of this month, an army patrol captured the two persons who treacherously, and from behind, assassinated Major Estrada in December of last year.

Their names are Armando Pastran Rizo and Uriel Rojas Jarquin. They were captured in a military operation in the mountains, without the presence of anyone. They confessed that they were the guilty ones and the two are now at the disposal of the Court of Common Pleas, accused by the family of the military man they assassinated. It will be up to the judges having jurisdiction to pronounce their innocence or guilt and to sentence them as warranted.

It is an actual fact: The two who had assassinated their commanding officer—treacherously, from behind, in the most vulgar and dirty manner—were caught by a patrol that could have settled accounts immediately. And who could have proven that they had not been killed in a shootout—period?

However, they turned them over to the police. In any other part of the world, those two individuals would probably have gone on to a better life.

That event has filled me with enormous gratification and speaks for itself. It speaks louder than a settlement of accounts, even though that settlement would have been with those who had indeed assassinated a brother officer.

[Brodan] Why did the Army burn the tarpaulin of the truck in which the rearmed were traveling? The civil authorities say that this tarpaulin would have proven the allegation that the rearmed were ambushed by the Army troops.

[Cuadra] The truck was full of bullet holes. A criminal investigation becomes difficult after combat. Combat is inherently disorderly, anarchic. The troops deploy, some shoot first, others later, there are shouts, voices barking orders, and shots coming from all angles. Combat is combat. Our troops are accustomed to piling up the dead and recovering the weapons after combat. It is the natural behavior of troops.

After the fighting in La Maranosa, the last thing the troops could imagine was that a police commission would be arriving to investigate. A report is rendered and that's the end of it.

The question of the tarpaulin was part of that context. Some of the objects were burned. But that is totally irrelevant. The tarpaulin could have shown exactly what the side railings of the truck and the direction of the projectiles show.

But if the prosecutor finds that detail relevant, he will take the necessary steps, investigate it, and we will explain why it was decided and who it was that decided to destroy the tarpaulin.

[Brodan] Some human rights commissions also asserted that the only woman in the group, Eudomilia Peralta Bellorin, was violated...

[Cuadra] They have said many things. The question I would ask all of those who have stated that there was violation, that it was a massacre, that it was premeditated—including many highly placed notables in the political and religious life of the country—is: What are they going to say if the civil courts find that there was none of that?

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Are they going to back down? Are they going to maintain their position? There are rules by which we Nicaraguans must play. And if we play without rules, the game becomes extremely dangerous. It could put this society at risk of anarchy.

There are procedures, and if someone does not like the outcome, it can be appealed; and the case can reach the supreme court. Those are the rules that we are prepared to play by, and we trust and hope that others will play by the same rules. There is no alternative.

We are never going to cover up any member of the Army who commits a crime, regardless of his rank, position, or grade. The same thing holds in the La Maranosa case. We shall never protect criminals who take advantage of their position to trample the rights of another Nicaraguan.

That is not in our training, it has not been our style, and I shall devote my efforts to maintaining this course.

[LA TRIBUNA's conclusion of this installment: Tomorrow [Part 2], General Cuadra's relations with General Humberto Ortega. His goals for the EPS. Military personnel who have become involved in the arms traffic.]

Discusses Arms Sales

95CA0160B Managua LA TRIBUNA in Spanish 22 Feb 95 p 2A

[Part two of two-part interview with new Army Chief Joaquin Cuadra by Oliver Brodan on 20 February in Managua—first three paragraphs are LA TRIBUNA introduction]

[FBIS Translated Text] Newly appointed Army General Joaquin Cuadra Lacayo has been preparing since yesterday morning to occupy the office of his predecessor, the controversial Humberto Ortega Saavedra, who has officially returned to civilian life.

Although Cuadra is not expected to immediately enter carrying a broom to sweep out the original structures of the armed forces, one of his immediate tasks will be to reorganize the functions of the general staff and those of the secretariat.

He is convinced that the current army strength of 15,000 men is sufficient and necessary until 1995 [as published], the date on which the Military Council will have to propose to the president the name of General Cuadra's replacement—a legal proceeding that fills those in uniform with pride.

[Brodan] What will your immediate tasks be?

[Cuadra] Those that are set forth under the Constitution and the law. I have the obligation to continue the process of professionalizing the institution, on which we have made substantial progress.

The current law establishes a time period of one year from its publication for the introduction in the National Assembly of another set of laws having to do with military justice, the Military Tribunals Organization Act, on which we are currently working. In the next few months it will be sent to the National Assembly to be enacted into law.

Secondly, I must continue accomplishing the missions that are under way—and this year, with particular emphasis, I am to attain higher levels of pacification in the countryside. Within the first 15 days of March, together with the government, we will evaluate the effort that has been made to protect the harvest, and we will propose to the government a continuation of this operation. Obviously, some additional resources will have to be requested in order to accomplish the objectives that have been set.

Basically, these additional resources concern troop logistics: cold rations so that troops can have greater operational independence, and fuel expenses. This operation has increased our fuel costs substantially above what we had budgeted for this year.

[Brodan] There has been a constant stream of accusations by some foreign sectors that the EPS [Sandinist People's Army] is trafficking in arms with guerrilla groups. To whom have arms been sold?

[Cuadra] Only to legitimately constituted countries, like Peru and Ecuador, and with the intermediation of the foreign affairs ministries and offices of the presidents of those countries. Those transactions were completely legitimate and above board.

Historically, there was a trafficking in arms here that was out of control. In the arms black market, Nicaragua was a strong point. You could go to the Oriental market and buy an AK. Everybody carried weapons. Groups came to try and buy arms: the Guatemalan guerrillas, the Colombian drug-guerrillas....

Of course, we supported some of these groups—the Salvadorans and the Guatemalans. In our country we have military attache missions from Mexico and Colombia—these are the biggest—and we have never received an official complaint on this matter. We cooperated with them when they provided information that a group or an agent was here to buy arms.

[Brodan] How many military personnel have been prosecuted for theft of rifles and guns from the EPS's armories?

[Cuadra] In the last three years, 54 military personnel have been prosecuted for stealing arms from arsenals. Some are serving sentences, others have already served them, depending on the crime: theft of guns, rifles, etc... But there is no large-scale traffic. Those are low-ranking officers who steal grenades, rifles.

Since the 1990 theft and sale of ground-to-air missiles to the Salvadoran guerrillas by four captains, nothing of any importance has occurred in the Army. These types of things do not go unnoticed.

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During the years 1990-93, Nicaragua was the easiest place in Latin America to buy arms illegally in the black market. If the Colombian guerrillas had cash and wanted to buy arms, Nicaragua was the easiest place in which to make contact with former military personnel, former contras... with someone who had ties, and could put together some 16 or 20 rifles. Now, it is increasingly difficult because there are fewer and fewer arms.

[Brodan] Do you still sell arms to Peru and Ecuador?

[Cuadra] We are selling them some spare parts and munitions. Still outstanding are some spare parts for the helicopters we sold to them, spare parts for their radar, and munitions whose sales to Ecuador and Peru have remained pending... They will be ordering some very soon because they have used up quite a lot of them. To Peru we have sold some 20 helicopters—four of them shot down—and all of the MI-25's. To Ecuador, we have sold antiaircraft artillery, machine guns.

Orders are still pending, but quantities are lacking. From these sales, which included training by us in the operation of the weapons, the Army received $17 million. This also includes the use of the system that checks whether an antiaircraft missile is still good and calibrated. But we only have one system, of Soviet manufacture, and we keep that for ourselves. Once a year the Ecuadorans and the Peruvians must bring their missiles here by plane, to be tested and checked, then fly them back.

We recently sold a large lot of old collectible weapons—such as Enfields, German guns, BZ's, and others—to U.S. companies that buy weapons of this type, repair them, and sell them to collectors. This took place around the end of last year. From here they were taken to Puerto Cortez, transited through Honduran territory, and taken to Miami. Their value was in the order of $600,000 to $800,000.

[Brodan] How were your relations with General Humberto Ortega, and how are they now?

[Cuadra] From the time we were guerrillas together and began forming the Army, I have had a frank and direct relationship with him. I made commom cause with him in the sense that the manner in which General Ortega leaves should set a historical precedent in the military ranks as to how an army chief should come in and leave. The position we took, and the common cause we made, was that the door through which General Ortega exits must be the very same door through which I enter. I have enormous respect for him, a respect that has developed and grown throughout all these years.

I had an exemplary chief, and this represents the feeling of the Army's officer corps. He is a man who deserves great respect. He is honoring the commitments he undertook, abiding strictly by the laws of the Republic. And with his head held high, he leaves the ranks of the Army and hands over command to my person through the process established by the law.

Within five years—in a more peaceful Nicaragua by then—we hope to hand over command without any trouble to whomever will be the most suitable man of that moment.

[Brodan] Now that General Ortega has retired, will you allow him to influence the Army's decisions?

[Cuadra] No, the Army's decisions are made within the Army, by the established structures, with its main advisory body the Military Council. There is no doubt whatever about this. The decisions made in the Army will be the decisions of its commander-in-chief.

The chief is the chief; he who commands, commands. Nobody commands behind the scenes, or from outside the military hierarchy. In this sense, my command over the Army is unquestionable, incontrovertible. In that regard there is no discussion, no problem. I hope to count on his support as well, so that the people can believe more firmly that this Army is for all Nicaraguans and not for just a few.

Clearly, General Ortega will endeavor to play a part in this society. He is a young man. He is not going home to plant lettuce or to tend his garden, as is being suggested. He has played a determinative part in the history of this country: good for some, excellent for others, bad for still others.

[Brodan] What do you expect your future relations with the government and the civil society will be?

[Cuadra] We have been learning together to live in a democratic regime that we are trying to consolidate. This is a learning process for the whole of our society. I am firmly convinced that over the next few years we shall be making important forward strides in our relation with civil society, and we shall continue maintaining a harmonious relationship with the government.

Relations are no longer whims of the moment, such that: If you are to my liking they are harmonious, and if you are not to my liking they are not harmonious. The rules establishing the subordination of military power to civil authority have been laid down, and we totally support them as a fundamental basis for the strengthening of our democratic system.

Relations can improve if there is the will on all sides to do so, and if this will is expressed in a system governed by laws. This is the momentous achievement of the code that lays down the clear-cut rules of this relationship.

If the country develops normally, if it does not fall to pieces, and if situations of total anarchy and chaos are not created, then there will be no problem.

Panama

ARI To Start Implementing Reversion Projects

PA1903185795 Panama City EL PANAMA AMERICA in Spanish 16 Mar 95 p B-4

[FBIS Translated Text] The Interoceanic Region Authority [ARI] will implement multimillion dollar

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projects of international importance in the new phase of its operations. This new phase began with the passage of the law that reforms ARI, which was published in GACETA OFICIAL on 9 March.

Carlos Mendoza, president of ARI's Board of Directors, said that during this period the President of the Republic will serve as "head coordinator" for a large number of projects that will be promoted by ARI's Board of Directors and its new administrator, who will soon be chosen from a list of candidates. This long list already includes a number of professionals willing to offer their promotional and planning expertise to help develop programs for the reverted areas.

Mendoza stressed that because of closer contacts between ARI and the executive branch, projects currently under review will start to take shape, while general and regional plans for the development and use of the reverted areas will begin to receive approval.

City of Knowledge

ARI will give its full support to the City of Knowledge project. Meetings have been held with UNESCO representatives regarding this project.

Mendoza said the ARI directors will meet with UNESCO Director Dr. Federico Mayor Zaragoza in March to study the possibility of presenting this very important project at UNESCO's May conference in Paris. Mendoza added that the president of the Republic will sign a letter of intent that will contribute to the project's consolidation.

The City of Knowledge will comprise a 500 hectare educational complex that will house approximately 15,000 students at Albrook Air Station and will allow the conversion of the military base into an educational center, exchanging the presence of soldiers for students and professors. The project, which was proposed by President Ernesto Perez Balladares at the Summit of the Americas in Miami in 1994, will contribute 300 million balboas to the national economy.

Government City

Another project being advanced by ARI is the establishment of a Government City in the Ft. Clayton area on the banks of Miraflores Lake.

Mendoza believes the Government City will save time and money and alleviate the traffic congestion of downtown Panama City by concentrating in one area the offices of the 12 ministries that make up the hub of the central government.

The cost of moving these offices will be minimal thanks to an expected government swap using the properties it owns in the center of the city, including the buildings that house the Finance and Treasury Ministry, the Health Ministry, and the former facilities of the Foreign Relations Ministry.

This project could take an estimated four years, because the development of the designs and plans alone could take as much as a year to complete.

Housing Projects

ARI also is fostering social projects by converting the buildings located at Ft. Espinar, Colon Province, into apartments for middle class Panamanian families. To achieve this, ARI will open bidding on the conversion of these complexes into low cost housing.

Ft. Davis, also located in Colon Province, will be rented and changed into an industrial development area because of its proximity to companies linked to the Colon Free Zone.

Mendoza said the sale of houses in Margarita and Curundu will get under way based on the mechanisms established in the changes to the ARI Law.

Amador

One of ARI's most ambitious projects is to develop Ft. Amador for tourism. The reversion of this military area will be completed soon. Bids submitted by interested companies have already been reviewed, and an interinstitutional commission's final report containing the name of the recommended firm is already in the hands of ARI's Board of Directors. Ft. Amador has a total area of 176.5 hectares and features installations that include a golf course, theater, community center, and 185 housing units.

Security

The reforms of the ARI Law make it possible for ARI to ensure that the U.S. Government leaves the reverted Canal areas free of military debris, explosives, and hydrocarbons or other polluting substances.

Carlos Mendoza said the areas to be cleared include the fuel tank area at Howard Air Base. This underground storage area can hold 1.125 billion barrels of fuel, which is fed from Panama through a pipeline that crosses the Canal and also feeds fuel to Rodman Naval Station.

The concern about this storage area specifically refers to the difficulty in detecting leaks and contamination from the underground tanks. Other causes of concern are the underground ammunition dump located near the tank area, ranges used for target practice, and areas used to clean aircraft engines.

Other Projects

Port development is another aspect under consideration in this new phase of ARI development. ARI board members are devoting a great deal of attention to subjects such as the expansion of the Coco Solo Port area. There also is talk about the likely concession of Cristobal School, which will soon revert to Panama and in which a number of cargo companies are interested.

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The construction of a container port on Telfers Island, which would yield huge revenues for the central government, also is being considered.

A letter of intent was recently signed between the Panamanian Government and Evergreen Co., which wants to invest approximately $70 million of the $150 million needed to construct a container port in Coco Solo.

ARI Law Amendments

PA2003013295 Panama City GACETA OFICIAL in Spanish 9 Mar 95 pp 1-12

[Law 7 issued by the Panamanian Legislative Assembly in Panama City on 7 March]

[FBIS Translated Text] LEGISLATIVE ASSEMBLY LAW 7 (of 7 March of 1995):

"Whereby several articles are amended and added to Law 5 of 1993, whereby the Interoceanic Region Authority [ARI] of Panama is created, and several measures related to the Reverted Properties are adopted."

THE LEGISLATIVE ASSEMBLY DECREES:

Article 1. Article 1 of Law 5 of 1993 will hereby read as follows:

Article 1

The ARI of Panama is hereby created as an autonomous State entity, which hereafter will be called THE AUTHORITY, and will have legal status, its own patrimony, and an autonomous internal organization.

THE AUTHORITY will reconcile its decisions with the State's economic and social development policies.

The Comptroller General's Office will carry out, with regard to THE AUTHORITY, supervisory tasks that constitutionally and legally fall within its purview.

Article 2. The first paragraph of Article 3 of Law 5 of 1993 will hereby read as follows:

Article 3

THE AUTHORITY's primary objective will be to remain exclusively in charge of guarding, developing, and administering the Reverted Properties within guidelines and national policies established by the Panamanian State, following the General Plan and the partial plans approved in the future for the best use of the same, in coordination with the appropriate State agencies, in order that the Reverted Properties be gradually incorporated into the integral development of the Nation. To this effect, THE AUTHORITY shall:

Article 3. Point 9 of Article 3 of Law 5 of 1993 will read as follows:

Article 3

...

9. Guarantee uninterrupted support of the Reverted Properties' infrastructure to the services provided by the Panama Canal to the sector, international maritime trade, and the international services sector.

Article 4. Article 4 of Law 5 of 1993 will read as follows:

Article 4

THE AUTHORITY will take the necessary steps and guarantee that all those Panamanians who have or may lose their jobs as a result of the reversion of properties or installations or because of cutbacks in duties and services provided by the Panama Canal Commission or the U.S. Armed Forces, by virtue of the execution of the Torrijos-Carter Treaty, receive preferential treatment in seeking jobs that may be created by virtue of this law, as well as those created by enterprises installed in the Reverted Areas.

For these purposes, contracts held with such companies should contain clauses leading to the fulfillment of provisions established in this article and coordinate with organizations representing Indians, West Indians, and other groups working in the Reverted Areas.

In such cases, newly created job positions will be subject to contract conditions outlined by the enterprises in accordance with labor laws in force.

Article 5. Modify Point 5 and add Point 10a to Article 5 of Law 5 of 1993 to read as follows:

Article 5

Cooperate with the Panamanian directors of the Panama Canal Commission's Board of Directors and the Executive Directorate Board of the Panama Treaty Affairs Executive Directorate (DEPAT) to promote Panamanian citizens' effective and increasing participation, particularly in executive and management positions.

...

10a. Cooperate with the Panamanian directors of the DEPAT and the binational commissions and committees created by the Panama Canal Treaty, so the U.S. Government fulfills its obligation regarding the adoption of required measures in all the areas that revert, or have reverted, to the Republic of Panama—based on the treaty—to eliminate explosives and waste ammunition; and to clean the area and render it safe, particularly areas affected by the presence of flammable, corrosive, reactive, toxic waste and other contaminating substances, thus preventing any threat to human life, health, and safety.

Article 6. Article 8 of Law 5 of 1993 will read as follows:

Article 8

The Board of Directors will comprise eleven (11) members appointed by the Executive Branch, subject to the

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Legislative Assembly's ratification, in which the egalitarian participation of men and women will be taken into consideration.

Six (6) of these members will be appointed to represent: The University of Panama, Technological University of Panama, Santa Maria La Antigua University, Panamanian Association of Engineers and Architects, National Council of Private Enterprise, and a representative from those labor unions with legal status, registered with the Social Organizations Department at the Ministry of Labor and Social Welfare, and which prove they are operating.

Directors may not assume their posts until their appointments are approved by an absolute majority at the Legislative Assembly.

In case of a tie vote in the adoption of decisions by the Board of Directors, the president's vote will decide the issue.

Members of the Board of Directors will be appointed for a period of five (5) years. Nevertheless, the terms for which current board members were appointed in a staggered manner will remain in effect.

Vacancies that exist when the current law is approved, and any vacancies that occur later on, will be filled giving priority to the different groups mentioned in this article. These will be appointed based on the order determined by a raffle held for this purpose in the presence of a notary public.

The board members will receive no remunerations, except the daily expense allowances that correspond to their participation in the Board of Directors meetings.

Article 7. Article 9 of Law 5 of 1995 will read as follows:

Article 9

To be Director, it is necessary to:

1. Be a Panamanian citizen and be 30 years of age or older.

2. Never have been sentenced by the Judicial Branch for fraud or crimes against public administration.

3. Not hold a paid public post, except that of university professor.

4. Have well-known abilities and moral character.

5. Not be related to the President of the Republic, Vice Presidents, or Ministers of State within the fourth degree of sanguinity or the second degree of affinity.

Article 8. Modify Points 1, 2, 5, and 6 of Article 13 of Law 5 of 1995 as follows:

Article 13

1. Propose the appointment of the General Administrator and the Assistant General Administrator from a list of three candidates which, to this end, the Board of Directors will present to the President of the Republic. The selection of this group of three will require a contest and the favorable vote of the absolute majority of board members. Once the list of three has been selected, the President of the Republic will be informed in order that within seven (7) working days after receiving the lists he can make these appointments.

The procedure established in this section will be implemented immediately after the current law goes into effect. The Board of Directors will thereby be obligated to select lists of three candidates for the posts of General Administrator and Assistant General Administrator, within 45 days after the promulgation of this law, and to send those lists to the President of the Republic, who will choose both officials within seven (7) days after receiving the respective lists. The Board of Directors will not be able to appoint any of its members to these positions.

2. Prepare THE AUTHORITY's policies, bills, and programs, as well as its annual draft budget.

...

5. Authorize the execution of contracts of more than 500,000 balboas (B/500,000.00) mentioned in Point 4 of the current Article and contracts for services, projects, technical assistance, purchase of equipment and provisions, for THE AUTHORITY's proper functioning.

6. Supervise the General Administrator's and Assistant General Administrator's execution of the Board of Directors' decisions and directives.

Article 9. Points 4 and 5 of Article 15 of Law 5 of 1993 should read as follows:

Article 15

...

4. Serve as the point of contact between the Board of Directors and the President of the Republic.

5. Remit quarterly reports on THE AUTHORITY's activities, emphasizing the resolutions adopted by the Board of Directors, to the President of the Republic and the President of the Legislative Assembly.

Article 10. Article 16 of Law 5 of 1993 is modified to read as follows:

Article 16. The General Administrator and the Deputy General Administrator will also be in charge of THE AUTHORITY's executive administration, in accordance with this law, and be subject to Board of Directors guidelines and policies. The administrator will be the THE AUTHORITY's executive officer tasked with overall and active control of THE AUTHORITY's affairs and offices and the general supervision of its offices and employees.

The General Administrator will exercise THE AUTHORITY's legal representation and, during temporary absences, will be replaced by the Deputy General

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Administrator. In the event of total absence of the General Administrator, he will be replaced by the Deputy General Administrator until a new one is designated, in accordance with Point 1 under Article 13 of this law.

The General Administrator or the Deputy General Administrator cannot appoint employees who are related to them or any of the directors within the fourth degree of sanguinity or the second degree of affinity.

Article 11. Article 17 of Law 5 1995 is modified to read as follows:

Article 17

The minimum requirements to serve as General Administrator or Deputy General Administrator are:

1. Be a Panamanian citizen.

2. Never have been sentenced by the Judicial Branch for fraud or crimes against public administration.

3. Have well-known abilities and moral character.

4. Be a university graduate with five (5) years experience in administration or comparable work.

The General Administrator and the Deputy General Administrator will serve terms of five (5) years.

The General Administrator and the Deputy General Administrator must not be related within the fourth degree of sanguinity or the second degree of affinity to the President, the Vice Presidents, Ministers of State, or to each other.

Article 12. Modify Point 7 and add Point 12a to Article 18 of Law 5 of 1993 as follows:

Article 18

...

7. Finalize contracts and concessions up to 500,000 balboas ($500,000.00), observing Fiscal Code rules.

...

12a. Present to the Board of Directors contracts that exceed the amount stipulated in Point 7 of this article.

Article 13. Article 25 of Law 5 of 1993 is modified as follows:

Article 25

In the event of economic surpluses after covering THE AUTHORITY's needs, including investments and reserves, these surpluses will be earmarked in the upcoming general state budget for investments in health, education, housing, social security, and public works that deal with social and economic development.

Article 14. Add Article 32a to Law 5 of 1993 as follows:

Article 32a

Every act or contract, which in accordance with this law has to be approved by the Board of Directors and exceeds 2 million balboas ($2 million), will require prior approval by the Cabinet Council.

Article 15. A paragraph is added to Article 34 of Law 5 of 1993, as follows:

Article 34

...

Any purchase and sale contract of real estate, whether or not destined for housing, will be considered null when the purchaser changes the use or destination that should be given to these assets without a prior permit by THE AUTHORITY, or due to noncompliance with the clauses stipulated in the respective contract. The decision will be adopted based on a resolution from the Board of Directors.

Article 16. Article 39 of Law 5 of 1993 reads as follows:

Article 39

THE AUTHORITY will have coercive jurisdiction to be be exercised by the Administrator General, who may be able to delegate this function to officials of the institution, with the previous approval of the Board of Directors. In addition to the document mentioned in the Judicial Code, the internal audit certifications of any kind of pending payments owed to THE AUTHORITY will serve for collection purposes.

Article 17. Article 43 of Law 5 of 1993 reads:

Article 43

The current tenants of reverted housing units and those to be reverted that may be subject to sale, in accordance with the General Plan, will have first bid option for said housing units, to include the lands. Social criterion will be taken into account in setting the price of the properties, as long as the property in question is to be used as residence and involves no more than one houseing unit per family.

The houses' sale prices must include the actual depreciation and the adjustments to the final sales price, according to appraisal and and investigation procedures and methods. Improvements made by the tenant at his expense will not be included in the appraisal.

THE AUTHORITY'S Board of Directors and the appropriate authorities will regulate all that concerns the properties destined for housing, taking into consideration the representatives of the organized communities in those areas, protecting existing green areas and recreational areas.

Article 18. Add to Article 43a of Law 5 of 1993 as follows:

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Article 43a

In cases when residents of houses in reverted areas must vacate them due to changes in the land's use, due to appropriation for other functions in the Canal's operation, or due to the expansion of ports or the free zone, they will be relocated to housing similar to the one they previously had.

Article 19. Article 44 of Law 5 of 1993 reads:

Article 44

The state will grant first bid option to those individuals who, prior to 30 June 1992, occupied or had possession of a plot of land within the disaffected areas prior to the effects of this law, in favor of the National Mortgage Bank, for social interest housing. For the effects thereof, a special transfer regulation will be set forth. The areas are those identified as: MIVI AR-3, currently being processed, MIVI AR-4, MIVI AR-5, MIVI AR-6, MIVI AR-7, MIVI AR-8, and lots number 11412, 11413, 11414, MIVI AR-9, and lots number 11415 and 11416.

For the purpose of recognizing and formalizing the bid option rights mentioned in this article, the Housing Ministry will extend by six (6) months the established deadline so that the land occupants or tenants in the disaffected areas may proceed with the construction of their respective houses, according to Resolution No. 143-94 of 5 October 1994.

If the deadline established in the previous Resolution expires and the person responsible for the lot has not built his house, the Housing Ministry will cancel the option to purchase or adjudicate the lot in question and will assign it to another family that will fulfill the occupation requirements.

The Housing Ministry will facilitate loans of material to families that qualify for it.

The State, by way of the appropriate agency, will assess any improvements made within the communities located om the aforementioned areas, taking into consideration current development conditions and plans for further improvement and the opinion of organized communities in those areas.

Article 20. Article 46 of Law 5 of 1993 reads:

Article 46

The durantion of THE AUTHORITY will be for as long as required for the fulfillment of its mission, and in no case will it extend later than the year 2005, except by a legally adopted extension. When the period established in this article expires, its functions will be transferred, in order, to the competent state agency, in accordance with the Cabinet Council's stipulations.

Article 21. Add to Article 48a of Law 5 of 1993, as follows:

Article 48a

This is a public order and social interest law and its provisions will be applied retroactively.

Article 22

This Law modifies Article 1; paragraph one, and numeral 9 of Article 3; Article 4; numeral 5 of Article 5; Articles 8 and 9; numerals 1, 2, 5, 6 of Article 13; Articles 16 and 17; numeral 7 of Article 18; and Articles 25, 39, 43, 44, and 46 of Law 5 of 1993. Add numeral 10a to Article 5; numerals 4 and 5 to Article 15; numeral 12a to Article 18; one paragraph to Article 34; and Articles 32a, 43a, and 48a to Law 5 of 1993.

Article 23

This law will go into effect from the moment it is promulgated.

Let it be promulgated and executed Issued in Panama City on the 21st day of the month of February 1995.

The President, Balbina Herrera Arauz

The Secretary General, Erasmo Pinilla C.

National Executive Branch—Presidency of the Republic

Panama, Republic of Panama, 7 March 1995.

Ernesto Perez Balladares, president of the Republic.

Olmedo David Miranda Jr., minister of finance and treasury.

ARI Accepts Administrator Chen Barria's Resignation

PA1703143995 Panama City LA PRENSA in Spanish 16 Mar 95 p 1A

[Report by Manuel Alvarez Cedeno and Hermes Sucre Serrano]

[FBIS Translated Text] The Interoceanic Region Authority (ARI) Board of Directors yesterday accepted the resignation of Administrator Jose Chen Barria, to become effective on 20 March. He will be temporary replaced by Carlos Mendoza, Jose Chong Hon, and Stanley Motta, ARI sources reported.

Chen Barria presented his resignation last week when President Ernesto Balladares sanctioned reforms to ARI legislation which, according to the opposition, allow the ARI to become politicized.

The ARI directors met for one hour in the offices of Peat, Marwick, and Mitchel and announced the decision.

Mendoza, Jorge Rodriguez, Motta, Chong Hon, Mariano Mena, and Chen Barria took part in the meeting.

On leaving the meeting, Chen Barria said that he leaves the post "under good terms with members of the Board of Directors. I maintained the struggle, I defended my

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principles, my values, my criteria, and turned over the administration under good terms."

An ARI communique recognized Chen Barria's work while he was the administrator.

In addition to Chen Barria, Directors Carlos Valencia and Rafael Arosemena resigned but tendered their resignations to Ernesto Perez Balladares.

ARI published in local newspapers an advertisement requesting that those interested in competing for the posts of administrator and deputy administrator present their curricula vitae to the ARI offices prior to 10 April.

According to the reforms, Perez Balladares will select the administrator from a list of three candidates that the Board of Directors presents to him.

Meanwhile, Stanley Muschett, rector of the Santa Maria La Antigua University, yesterday gave assurances that he will not resign from his post as ARI director, but will observe with great interest the composition of the rest of the Board of Directors and the selection of the new administrator.

Minister, Legislator on Alleged DEA List of Officials

PA2203031595 Panama City Circuito RPC Television in Spanish 2300 GMT 21 Mar 95

[Report by Hugo Enrique Famania from the "RPC Television News" newscast]

[FBIS Translated Text] Government Minister Raul Montenegro did not give much importance to statements made by opposition legislators on the alleged existence of a list of 15 government officials whom the DEA is investigating. Those officials would allegedly have to face trials on drug-trafficking charges in the United States:

[Begin Montenegro recording] I do not know of this list, but I would like to see it if it does exist. [end recording]

Although Montenegro has denied the DEA is investigating government officials, Legislator Joaquin Fernando Franco has reiterated that such rumors are still circulating in the country:

[Begin Franco recording] I believe if there are people in public posts who are involved in money-laundering or drug-trafficking activities, they must be dismissed as soon as possible, because this matter would do great harm to the Republic of Panama. [end recording]

He has said he had sent a note to the presidency of the Legislative Assembly for this reason requesting that it investigate the truthfulness of those rumors.

The drug commission is working along this same line:

[Begin Alberto Aleman Boyd, Democratic Revolutionary Party legislator, recording] We are sending notes to the attorney general, the PTJ [Judicial Technical Police] director, and the foreign minister asking them to tell us whether they have any information on this case. [end recording]

The drug commission is making such requests, because it does not have any trustworthy report on this alleged event, Aleman Boyd has said.

The U.S. Embassy has not issued any official communique on the issue, but a spokesman of this diplomatic mission, in agreement with what the Panamanian Government has stated, has told "RPC Television News" the alleged DEA list does not exist.

Comptroller General's Report Notes Figures on Debts

PA2203121895 Panama City LA PRENSA in Spanish 21 Mar 95 p A-17

[Report by Julio Cesar Aizprua]

[FBIS Translated Text] By 31 December 1994 the Panamanian debt increased to $5.828 billion—a $117.8 million net increase compared to $5.710 billion at the end of 1993. Out of that increase, $110.7 million are foreign debts, while $7.1 million are domestic debts.

According to the Comptroller General's Report, the central government's contractual debt by the end of 1994 registered a net increase of $149.4 million. The report adds that foreign debt increased by $153.7 million, while domestic debt decreased $4.3 million.

Regarding the foreign debt, the document has stated it had a net increase of $153.7 million, particularly regarding bilateral and official creditors as well as private sources, which account for $1.2 million and $157.1 million respectively.

The report has stated the debt with the Inter-American Development Bank (IDB) had a net increase of $2.9 million. While $13.2 million were paid, the debt increased $1.8 million as a result of monetary fluctuations and new disbursements totaling $14.3 million.

Of those disbursements, $1.4 million were applied to financial expenses and $12.9 million to carry out projects.

Regarding the World Bank, the report notes a reduction of $6.5 million, including $20.5 million in payments and an unfavorable monetary fluctuation for $12.6 million, in addition to a $1.4 million disbursement to repair roads.

Meanwhile, the debt with the International Fund for Agricultural Development, IFAD, decreased $1.4 million, including $1 million in capital payments and $0.4 million as a result of an increase in unfavorable monetary fluctuations.

The Comptroller General's Report added the debt with the group of bilateral and official creditors increased

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$1.2 million as a result of a $4.9 million loan granted to the National Savings Bank for housing projects.

There was an unfavorable monetary fluctuation for $5.1 million in the portion owed to the Support Group, as well as $1.3 million within the Paris Club II Agreement, and $0.7 million owed to official creditors.

Groups: Labor Code Reforms Unconstitutional

PA2203044395 Panama City EL PANAMA AMERICA in Spanish 21 Mar 95 p A-3

[Report by Carlos Vargas and Carlos Anel Cordero]

[FBIS Translated Text] The intended reforms to the Labor Code are "unconstitutional and threaten the workers' stability" according to a document presented yesterday to the Legislative Assembly by more than 14 labor groups.

The labor groups, which oppose the reforms and which include the labor unions of construction and banana companies, reasserted their intention yesterday of declaring a general strike once the Legislative Assembly begins discussing this bill.

Genaro Lopez, secretary general of the Single National Union of Construction and Related Workers (SUNTRACS), said the opinion of the organized workers is stated following an in-depth analysis of the reforms prepared by the Labor Foundation.

He also said the workers expect the government will fulfill its constitutional obligation, once the respective commission is installed, of reviewing the minimum salary and granting the raise the workers deserve.

He said this salary is way behind the cost of living increase, because the salary is 195 balboas while the basic family basket costs more than 400 balboas.

Lopez said the government must fulfill the obligation established in the Labor Code and the National Constitution despite AID's opinion against this increase.

Meanwhile, Jose Morris Quintero, leader of the Union of Chiriqui Land Company Workers (SITRACHILCO), has warned that the start of a strike was approved at a assembly general held recently and that they are only waiting to begin the discussion so they can declare this protest measure.

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Argentina

Menem Admits 'Errors' in Economic Plan

PY2103213395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1428 GMT 21 Mar 95

[FBIS Translated Text] Buenos Aires, 21 Mar (NA)—President Carlos Menem today admitted there were "errors" in the privatization process that the government carried out. He said "instruments must be improved" to consolidate the current economic model.

Menem said "we must not take one backward step" in the continuity of the model. He stressed that the international financial crisis affected Argentina, adding that as things were done properly "we are successfully overcoming the storm."

The chief of state made these remarks today in a downtown hotel where he opened the Post Argentine Privatization Forum: A vision of the future, organized by the Spanish Chamber of Commerce Foundation.

Menem reviewed his government's economic model and said: "It is fundamental that a process of change and transformation should start with respect for the possibility of putting a new Argentina on the right track."

He said that "three basic lines" have been set up "with regard to the objectives that have been outlined for us: A state reform, a market economy, a fiscal balance, and Argentina's projection with views of success and international re-insertion, in other words, to be a part of the world."

The president added: "In 1989, we decided to change and we implemented this process of transformation," which "has produced an Argentina that is developing, that is growing, and an Argentina that is credible and reliable."

He added: "Of course, we had the participation of foreign capital. It could not happen any other way; our Spanish brothers put their shoulders to the new wheel."

Menem stressed: "Spain participated in the privatization of the state telephone system; of the national airline; of the electricity, gas, and oil sectors; and in the construction of freeways in such a way that some 25 percent of current investments in privatizations are of Spanish origin."

He stressed: "We do not want to stop now. There are problems, there have been some errors, we must improve the instruments and everything else that will help to consolide the model."

He said: "We have stability, there is convertibility, we have practically eliminated inflation, and all this is very good. Yet it is not as good as we would have wished and this is why I talk about improving" what we do from here on.

Menem said: "Just 2 months ago braced ourselves against the shock waves of a very harsh crisis in Latin America and the world."

He said "they heaped the load on Mexico," but those with economic power "weakened or tried to protect their interests to the detriment of the interests of emerging countries, including Argentina."

Finally, Menem said: "Maybe within a few days we will be able to talk in other terms—when we have overcome this crisis—but if we had not implemented this proposal in 1989 I do not know what would have become of Argentina."

Minister Denies Existence of 'Disappeared' List

PY2203001895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1613 GMT 21 Mar 95

[FBIS Translated Text] Buenos Aires, 21 Mar (NA)—Interior Minister Carlos Corach said today: "It is clear that the famous lists of those who disappeared never existed, or at least do not exist now." He thus referred to a request by the Federal Court to the government to release these lists.

Corach agreed with the position of the court that "from the legal viewpoint these cases have been closed through a series of decisions that began with the Expiration Law and the Due Obedience Law" and ended with "the presidential pardons."

He said he respects the court decision, which states that "apart from definitive legal and judicial proceedings," the lists of those who disappeared at the Navy's Mechanics School [ESMA] could be requested "for humanitarian reasons in view of the tragedy the country suffered."

The minister recalled the task of the CONADEP [National Commission on the Disappearance of Persons] during the government of Raul Alfonsin which investigated disappearances during the so- called Dirty War. The investigation "did not arrive at any conclusion regarding the alleged existence of the famous lists in the hands of the Armed Forces."

In remarks to Radio America, Corach said: "Through election trickery there should be no attempt to turn those who were victims into executioners," and refuted any responsibility that may be placed on the shoulders of President Carlos Menem.

He stated that the chief of state "suffered persecution and imprisonment" during the military dictatorship, and recalled that "a large number of Justicialist Party members suffered similar atrocities."

The minister thus commented on the decision the Federal Court handed down on 20 March at the request of Lawyer Horacio Mendez Carreras, who is the lawyer for the families of two French nuns that were kidnapped in 1977, were seen at the ESMA, and then disappeared.

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Carreras went before the courts after former Navy Captain Adolfo Francisco Scilingo made his famous charges in which he admitted being on flights in which Navy officers threw those detained at the ESMA into the sea after they had been drugged.

The Federal Court asked President Menem, Defense Minister Oscar Camillion, and the Chief of the Navy Staff Enrique Molina Pico "to release the list of those who had been detained at the ESMA and presumably liquidated in the way described" by Scilingo.

Foreign Consulates Closed as Part of 'Adjustment Measures'

PY2103224695 Buenos Aires CLARIN in Spanish 17 Mar 95 p 13

[Article by special correspondent Maria Laura Avignolo in London]

[FBIS Translated Text] In accordance with the administrative adjustment measures to be undertaken by the Argentine Foreign Ministry, the Argentine Consulates in London, Amsterdam, and Paris will be closed down and transformed into consular sections within the Argentine Embassies in those cities. These are the most remarkable cases among another 20 consulates, including the one in San Francisco, in the United States, which will share the others' lot.

This decision may, however, turn out to be more cosmetic than real, and generate more conflict than savings, as foreign nationals will have to be laid off and, according to the laws prevalent in each country, paid considerable sums in severance pay.

Diplomatic sources told CLARIN that Deputy Foreign Minister Fernando Petrella has already signed the decree ordering the closure of these consulates, and it will be sent to President Carlos Menem for final signature.

The premises where the Argentine Consulates in Amsterdam and London operate have been rented, and their contracts expire after the year 2000. To get out of them contractual obligations will have to be canceled, and this is neither a simple nor an inexpensive procedure.

The same holds good in the case of foreign nationals to be dismissed. Over $200,000 might have to be allocated to each consulate for severance pay.

According to diplomats, "not much will be saved." With the embassy and consulate operating on the same premises, it will only be possible to save on telephone bills, electricity, cleaning, and entertainment allowances. The post of consul general will possibly be eliminated as well, and replaced by a lower-ranking diplomat.

An ambassador to a European country told CLARIN that "this is not a decision to be enforced at once, but rather an administrative measure, the implementation of which will take some time."

Following the closure of the consulates, some embassies will follow suit. Argentina has more embassies abroad than Sweden, Belgium, or Germany.

Furthermore, a 15 percent wage reduction will be applied across the board for Foreign Service members working abroad.

Though ambassadors will not be particularly affected, mid-level officials who live in expensive cities like Paris, Tokyo, or London may face serious monetary problems in their daily lives.

Provinces 'Tightening Their Belts' To Meet Financial Crisis

PY2103184995 Buenos Aires BUENOS AIRES HERALD in English 16 Mar 95 p 5

[FBIS Transcribed Text] (DYN-NA) A number of provinces have begun the painful process of tightening their belts as the financial crisis catches up with them.

Tucuman Governor Ramon Ortega said yesterday that his province has a monthly deficit of "around seven million pesos" which has required him to carry out adjustments through an emergency decree.

The cuts ordered in Misiones [as published] follow on from those that have been ordered in provinces such as Catamarca, Misiones and Corrientes which have also started the process of trying to balance their accounts.

The cuts being applied in Tucuman include, among others, a reduction in wages at all levels, not only at the highest as decreed by the national government.

The plan is drastic, as apart from the wage cuts it orders a 33 percent cut in expenditure on goods and services, a 60 percent cut in advertising and a 30 percent cut in the subsidies given to the private education sector.

The governor has also ordered the portfolio of debtors of public services to be sold.

The example was also followed by Catamarca Governor Arnaldo Castillo who ordered public sector wage cuts for higher ranked officials ranging from five to 15 percent on all those salaries over 2,000 pesos.

In Corrientes the wage cuts are severer as they are applicable on all incomes over 750 pesos.

The government of Cordoba has also decided to follow suit and yesterday decided to reduce wages for officials, governor, ministers, personnel from provincial banks and the EPEC electricity company.

Cordoba Governor Eduardo Angeloz passed resolution 31B yesterday, which allowed a wage cut ranging from 300 to 128.00 pesos depending on the official's rank.

Angeloz said the measure would be transitory until the province comes out of the financial crisis.

Provincial security forces will not be affected by the cuts.

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The government said that the money saved by the reductions will be spent on improving provincial hospitals.

Patent Bill in Congress Nearing Approval

PY2103185295 Buenos Aires BUENOS AIRES HERALD in English 17 Mar 95 p 7

[FBIS Transcribed Text] (NA) The patents bill, currently in Congress, yesterday was passed by a plenary of committees and will be discussed in the chamber on March 29.

The bill awards exclusive production rights to the holder of a patent; however, in the case of pharmaceutical products, the bill imposes an eight-year transition period in which royalties aren't paid to the patent holder.

In that period national companies will be able to modernize their infrastructure so as to compete with the multinationals.

Yesterday's committee vote made no alterations to the document approved by the Senate and had the approval of all political parties except the Radical Party which only presented partial objections. This makes it almost certain that it will be passed by the Lower Chamber.

The bill is substantially different to the original project that was submitted by the Executive, having been extensively modified by Justicialist Senator Pedro Molina. Many of these changes are in open contradiction to the demands being made by the U.S.

This last point was strongly criticized by the head of the Industry Committee Humberto Roggero, who said that "we have ratified our unalienable right to legislate on the basis of our criteria and in defence of our national interests and not of the known and intense international pressures to which we have been and are being subjected to on this issue."

Need for New Economic Adjustment Seen

95SM0250C (Internet) Argentina Gopher in Spanish 14 Mar 95

[Commentary by Carlos Abalo: "Convertibility 1995"; from EL CRONISTA COMERCIAL News Summary 14 Mar]

[FBIS Translated Text] Minister Cavallo last night revealed further information on the fiscal and financial package designed to reassure the markets and dispel the lack of confidence that has triggered withdrawals from banks. Instead of details, a general outline of the makeup of the loans and the new fiscal adjustment was provided.

Argentina will obtain $11.1 billion in loans to consolidate backing for the monetary base, assure repayment of the domestic and foreign debt, restore conditions for growth, shore up the banking system, and privatize and provide solvency and liquidity for provincial banks. This huge loan package will strengthen convertibility in 1995, which no one will question. This is because, in addition, the minister plans to bolster it with a primary surplus of 4.4 billion pesos, which will be obtained by spending cuts and tax-rate hikes to be announced tomorrow.

Convertibility is thus being maintained with the same old prescription: loans and a budget surplus. The loans are coming from the banks this time, although the hope is that speculative investors will again try their luck while direct investors will confirm their presence. Cavallo is doubling the bet and buying more time so as to reinforce the reconversion that is peeking out from behind the adjustment, and so that Argentina can cope with its debt through exports, growth, and competitiveness. But this will require not only a tough new adjustment right away but also an intensification of the innovations in production because otherwise the pace of growth will slow and the debt will be hard to shoulder.

Questions About Reserves, Convertibility Raised

95SM0250D (Internet) Argentina Gopher in Spanish 13 Mar 95

[Commentary by Roberto H. Cachanosky: "Deposit Withdrawals Are Not Stopping"; from EL CRONISTA COMERCIAL News Summary 13 Mar]

[FBIS Translated Text] The most recent statistics from the Central Bank (BCRA) continue to show ongoing drops in deposits and reserves; it is even possible, in fact, that the safety net has worn through. During the time when abundant capital was entering Argentina, it was commonly heard that convertibility was bullet-proof because the BCRA had one dollar of reserves for each peso in circulation. Even though one might have talked oneself hoarse and spilled rivers of ink explaining that crises of confidence always begin in the financial system and then immediately shift to the foreign-exchange market. This is when the government has to show to what extent it is prepared to continue convertibility, and in spite of all this, people kept on pointing to the monetary base/reserves ratio.

Now that capital is no longer flowing in the way it used to, the government is being put to the test as to whether it is truly determined to differentiate itself from its predecessors by maintaining the exchange rate but also by honoring the rule that there will be one dollar of reserves in the BCRA for every peso in circulation.

What has been going on in this regard in the midst of the crisis? The exchange rate has obviously been maintained, but the ratio of reserves to currency in circulation has not.

To prove this point we should remember that since January the reserves that banks must keep in the BCRA have to be in dollars. To put it another way, the monetary base does not now consist of currency in circulation plus the reserve requirement; rather, the monetary base is the same as currency in circulation.

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This change in methodology requires a correction of the BCRA's true reserves as published daily, inasmuch as they include the banks' dollar-denominated reserve requirements. Since these required reserves represent a BCRA debt, not an asset, it is improper to include them as reserves. If this correction is made, we see that as of 21 February reserves in gold and foreign exchange have been falling while currency in circulation has been rising.

On 21 February, gold and foreign-exchange reserves covered 87 percent. To put it in another way, during this period, convertibility became dirty, and strictly speaking there is no longer one dollar in reserve for each peso in circulation. As a result, technically the peso should have been devalued almost 15 percent. Some may say, of course, that the ratio of reserves to money in circulation is still high. The reply is that although this is true, we are pretending as if we still have convertibility when we are actually not honoring it. Moreover, if we make the arbitrary statement that the ratio is low or high, then at what point does convertibility cease to be convertibility?

There is another point, though, that is much more curious. It is that if we combine gold and foreign-exchange reserves with required reserves in dollars and government bonds, the total reserves, according to BCRA methodology, stood at $15.264 billion as of 21 February and fell to $13.713 billion on 6 March, a loss of $1.551 billion. What happened to the BCRA's liabilities (currency in circulation plus required reserves)? During the same period they fell by 613 million pesos.

How could this have happened if the two variables are supposed to behave the same? The answer is that the BCRA apparently had excess reserves, in other words, more reserves than money in circulation plus required bank reserves. But if it had excess reserves, where did it get them? What asset did the Central Bank sell and convert into reserves? If the Central Bank's excess reserves came from privatizations, assets of the National Social Security Administration, or some loan from an international agency, then such reserves were not really BCRA reserves, unless they were donated, which would be highly unusual. And if they were not Central Bank reserves, they could not represent backing for the monetary base, because in that case the Central Bank could put up Argentine dollars as its own reserves.

When all is said and done, if the crisis of confidence in the financial system continues, we will have to monitor closely what the Central Bank does with reserves and money in circulation because, for the time being, the trend in the two variables has not been following the rules of convertibility.

Businessmen To Purchase Treasury Bill

95SM0250B (Internet) Argentina Gopher in Spanish 14 Mar 95

[From EL CRONISTA COMERCIAL News Summary 14 Mar]

[FBIS Translated Excerpt] A group of Argentine businessmen has announced that it will underwrite a $1 billion bond for the national treasury, in a show of confidence that the country is recovering from the financial crisis besetting it. The Argentine Bond, as the businessmen are calling it, will have a two-year maturity at an interest rate of LIBOR [London Interbank Offered Rate] plus three percent a year; the interest will be payable quarterly as of 3 July 1996. The underwriting of the bond will extend from 20 March to 1 April. "We feel that Argentine businessmen must show their confidence in this plan," asserted Eduardo Casabal, the vice president of Perez Companc and a member of the Argentine Business Council. "To date," Casabal clarified, "we have more than half of this amount confirmed," adding that he expects it will be completely underwritten in just a few more days.

'Limited' Financing Options Viewed

95SM0250A (Internet) Argentina Gopher in Spanish 14 Mar 95

[Commentary by Daniel Naszewski: "Major Limitations on Collecting Additional 2 Billion Pesos"; from EL CRONISTA COMERCIAL New Summary 14 Mar]

[FBIS Translated Text] Domingo Cavallo must raise an extra 2 billion pesos in tax revenues in 1995, with an additional condition that he failed to mention: they must be funds not subject to revenue sharing so that they can be earmarked exclusively for the treasury during this emergency.

His options seem to have narrowed, as he himself said yesterday that there would be no fuel price hikes and that the reintroduction of foreign-trade levies (the statistics tax, for example) is limited by the accords within the framework of Mercosur. What the minister also failed to mention is that he is trying to prevent the cancellation of the export reimbursements, one of the pillars of his foreign trade policy under his well known plan to devalue without devaluing. In 1994, no less than 1.13 billion pesos were transferred back to the private sector under this heading. The other limitation involves countering, to the extent possible, the cancellation of the cuts in employer contributions. The idea is to make the cuts somewhat smaller, while honoring the discount percentages that have been applied to the various regions so that the cuts are the same for everyone.

Against this backdrop, his menu of choices is very limited. It would do no good to raise the VAT [value-added tax] unless he can get Congress to allocate these extra revenues to the treasury (avoiding revenue sharing). Fuel prices will not rise, perhaps out of fear of an effect on other prices or as a "replacement" tool. Taxes on foreign trade are limited, what with Mercosur and GATT. Suspending reimbursements is dangerous because it could threaten the fine performance of exports in 1994. And canceling the cuts in employer contributions would once again boost Argentine costs. A rough

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projection in light of these restrictions reveals the following options. A two percent increase in the VAT would bring in somewhat more than 1.6 billion pesos, if there is no recession or if tax evasion does not spread. Restoring the three percent statistics tax would bring in an extra 550 million pesos or so if exports fall in 1995 to $18.5 billion. Canceling half of the reimbursements would save 550 million pesos in revenues. Lastly, canceling half of the cut in employer contributions would mean 600 million pesos more if the available data for 1994 are used. Domingo Cavallo has to choose from among this list of options right now, inasmuch as time continues to work against him.

Foreign Firms Responsible for Arms Diversion to Ecuador

PY2103185795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1401 GMT 21 Mar 95

[FBIS Translated Text] Buenos Aires, 21 Mar (NA)—Foreign Minister Guido Di Tella today said that "government officials are not involved in the illegal sale of arms" to Ecuador, and made three foreign companies responsible for the deal by which the cargo that was intended to end up in Venezuela was diverted to Ecuador during that country's war with Peru.

Di Tella, who is in Washington trying to speed up the disbursement of credits for Argentina, said, however, that Attorney General Angel Aguero Iturbe will receive reports from the foreign and defense ministries during the week that will be added to the investigation into the irregular export deal.

Foreign Minister Di Tella and Defense Minister Oscar Camilion will attend Congressional hearings on 23 March to explain the participation of both ministries in the operation.

Di Tella blamed the U.S. firms Fine Air and Hayton Trade and the Venezuelan firm Metales Restor, which was registered as the cargo's final destination, as being responsible for diverting the cargo.

The foreign minister characterized the arms sales as "illegal" because Argentina, as a guarantor country together with the United States, Brazil, and Chile, had jointly decided to establish an arms embargo against both nations.

The foreign minister added that when he mentioned "heads will roll," he did not specifically refer to government officials, but to "those responsible for carrying out this illegal arms operation."

"I rule out any responsibility on the part of our government officials, but the attorney general is conducting an investigation and he will determine who is responsible," Di Tella told Radio Continental.

The minister said President Carlos Menem gave "a categorical order, and that is why we must find those responsible," adding that according to the preliminary investigation, "the three foreign companies that acted as intermediaries are mainly responsible."

It was learned that the Brazilian Government conveyed to the Foreign Ministry its concern and interest with regard to knowing the official results of the investigation into the sale of Argentine arms to Ecuador.

This concern is related to the fact that Brazil had forbidden the company Fine Air from flying through its air space several days before Argentina did the same, on 3 March, but by then the company had already flown three of the four scheduled flights.

Correction to Senate Approves Tax Increases

PY2003181095

The following correction pertains to the item headlined "Senate Approves 3 Percent VAT Increase for 1 Year," published in the 20 March Latin America DAILY REPORT, page 26:

Column one, paragraph one, only sentence, make read-:...tax base for personal assets have become law...(changing "goods" to "assets")

Column one, paragraph four, only sentence, make read:...the so-called Personal Assets Tax Reform Bill-...(changing "Goods" to "Assets")

Bolivia

Government Denies U.S. Demanding Aranibar's Exit

PY2103153895 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 21 Mar 95

[FBIS Translated Text] Foreign Minister Antonio Aranibar and his political party, the MBL [Free Bolivia Movement], are protected by the government.

This is the interpretation drawn from comments made by Social Communications Minister Ernesto Machicado, who denied that the United States is allegedly exerting pressure for Aranibar and the seven MBL deputies to leave the government and the ruling coalition.

[Begin recording] [Machicado] No, I have absolutely no information on the subject.

[Unidentified reporter] Has the foreign minister's arrival tomorrow been confirmed officially?

[Machicado] I believe so, and expect him tomorrow. [end recording]

Foreign Minister Aranibar, who traveled to Europe on an official visit, will arrive shortly after noon.

The charges, denied by the government, were made by Condepa [Conscience of the Fatherland] leader Ricardo Paz, who asserted that the U.S. reprisal is a result of the fact that the minister has neglected bilateral relations regarding the cocaine issue.

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Banzer Resumes ADN Leadership During Assembly

PY2203002095 La Paz HOY in Spanish 16 Feb 95 p 2

[FBIS Translated Excerpt] General Hugo Banzer Suarez yesterday resumed the leadership of Nationalist Democratic Action [ADN], announcing in advance his candidacy for the presidency of the Republic in 1997, during a special assembly of his party, which served as the starting point for a strengthening and democratization process.

Speaking to over 1,000 ADN leaders who had gathered at "Democracy House," ADN national headquarters, the former president of the Republic and chief founder of his party announced his return to the national political arena. As MIR [Movement of the Revolutionary Left] Leader Jaime Paz Zamora did a week ago, he also bitterly criticized the administration of President Gonzalo Sanchez de Lozada, whom he called a "liar" and "corrupt."

Banzer announced his return to an overjoyed audience, which included former President Jaime Paz Zamora. In addition to Paz Zamora, who was his ally in the defunct Patriotic Agreement, several leaders of the main opposition parties and of the ruling party were also present.

"I have returned because you have called me under critical circumstances," Banzer said, when a unanimous vote of the Assembly asked him to return.

The ADN Assembly, which was denominated "Mario Mercado Vaca Guzman," fulfilled its main objectives: the establishment of a new electoral timetable, Banzer's return, and the election of a member of the National Electoral Board.

The approved electoral timetable states that the party's total reorganization and the election of departmental leaders must be ready by June 1995.

The election of national party leaders—the national chief and three deputy chiefs—must be done by February 1996. [passage omitted]

Brazil

Finance Minister Malan Interviewed

PY2103164095 Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Mar 95 Section 2 p 5

["Main excerpts" of "exclusive" interview with Finance Minister Pedro Malan by Josias de Souza and Gilberto Dimenstein on 16 March; place not given]

[FBIS Translated Text]

The Return of the Automatic Salary Adjustment Trigger

I think it is worrisome in the following sense: We will not manage to consolidate economic stability and a period of low inflation if we do not eliminate our custom of indexing the economy.

This is not easy because for nearly three decades we lived with an indexed economy. There is a demand for indexing the economy. Therefore, from this point of view, I see the automatic salary adjustment trigger as a serious problem.

Deindexation of the Economy

There are several ways to deindex the economy. We cannot do what Argentina did. There, on the same day that a law established the Convertibility Plan, all kinds of indexation were also eliminated.

In Brazil, this must be done in a gradual, agreed upon, and negotiated manner. Unfortunately, in Brazil we still have the so-called weak currency party, made up of people who think that a 50 or 60 percent annual inflation rate is reasonable.

There has not been a single case in history of a country that could or should have stabilized inflation at such a high percentage.

Salaries

There are several methods of gradually deindexing salaries. There are intermediate positions between total indexation and no indexation at all, as is the case in Argentina.

Granting automatic salary adjustments does not contribute to anything. Those businessmen who grant them are running risks. A company that is excessively condescending in wage negotiations could lose part of its market, be it to other domestic competitors who do not grant the same concessions or to imported products.

I must note that Brazil will not go back in terms of the opening of its economy. Our imports will continue increasing, although the problem is the speed of that increase.

A Bet

I am sure and I trust that Congress will measure up to the challenges of the current times.

Our bet is that most of the Brazilian population will continue supporting the constitutional demands that will allow the consolidation of the anti-inflation effort.

We made a bet on that in 1993, and it continues standing. Of the constitutional reform package we sent to Congress, the economic chapter has a very important effect: It will allow the participation of national and foreign private companies in mining, electricity, oil, communications, gas, and transportation activities, which is essential.

Unfeasible Social Security System

The social security system is also very important. Projections demonstrate that the current system will be unsustainable in the future.

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One of the pillars of the successful Chilean model is the social security reform, which allowed domestic savings to increase enormously. One of the reasons for the failure in Mexico was the significant and continuous reduction of domestic savings.

Tax System Bottleneck

The tax reform will be the last (part of the constitutional amendments) and, honestly, the most difficult one.

There is a total consensus with regard to the need to simplify the taxation system, to lift the taxes on imports, to prevent a fiscal war among the states, and to tax consumption rather than production.

But there are very complex issues, from the operational, technical, and political points of view. I think that this discussion will be held in 1996.

Since we have this principle by which a tax cannot be collected in the same fiscal year it is created, it is more realistic, perhaps, to imagine a new taxation system coming into effect as of 1 January 1997.

Trade Balance

Let us begin by speaking of exports. They are doing well. In January they amounted to $2.980 billion, the best January performance ever for Brazil. Exports increased by 8.5 percent in January 1995 in comparison with January 1994.

Exports in February amounted to the same as January, and it has also been the best February ever. Exports increased by 7 percent in comparison with February 1994.

Now to imports: For the first time, in November last year we registered a deficit that amounted to $492 million in November, $884 million in December, and $290 million in January.

Figures for February are still not available. We must point out two reasons: Hardly 40 percent of the information on our imports has been fed into the computers; 60 percent of that information is unfortunately being processed manually and sent through a pouch. I do not want to comment on the February figure before it is definite.

However, imports are thought to have increased a lot. Everything indicates that in February we will register a deficit greater than in January. Apparently it will be much greater. (The minister did not want to say whether it will be greater than $1 billion.)

Surplus

I do not want to promise figures or dates. However, I am sure that we will close 1995 with a considerable surplus in the trade balance. I think that the correction of the exchange rate will unavoidably lead us to a trade balance surplus this year.

Consumer Fever

We are living in a situation of a heated economy. Consumption, or demand, is increasing considerably, at the same speed as supply. There are two potential problems with this.

First, inflationary pressure could rise if the consumption growth rate is not in keeping with that of the supply. Imports can also exert pressure because if the demand cannot be met domestically, imports will increase, ultimately affecting exports.

Total exports are the result of the difference between our exportable production and internal consumption. When there is a situation of heated demand, part of the domestic production that would or could otherwise have been exported is absorbed internally. Therefore, from the point of view of macroeconomics, it is more important to adapt the consumption growth rate to that of the supply.

The Exchange Rate Blunder

I would not call it a blunder. Definitively, I would not call it a blunder. I think there were several factors at play that week. The 6 March communique allowed different interpretations. That was clear. We tried to convey a very complex piece of information through that communique, which was not well understood by the operators. We thought it was the moment of explaining the exchange band system.

Through the communique we tried to define a new exchange rate band ranging between 0.86 and 0.90 reals [R], which is a conservative band, with a narrow fluctuation. For the future, we announced a wider band between R0.86 and R0.98. The use of a wider band is how the European system works.

But in the European system they operate in the center of the band. We intended to give a clear explanation about that in May, when broadening the band to R0.93. I think that the combination of the two things was not well understood. It was understood as a very broad fluctuation band in which the Central Bank would intervene only when the dollar reached the highest level. There was a problem of understanding.

Change of Officials

Those rumors (about changes in the Central Bank) always exist. They stem from a normal fact. Such a complex subject necessarily involves, during discussions among those responsible for the policy, some technical and operational variables.

The Central Bank and the Market

I feel free to talk about this because since the end of 1966, I have been a public servant. I never worked in the financial market and I do not intend to do so. I have doubts about the validity of the principle of forbidding

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people with financial market experience to occupy a post on or in the Central Bank board of directors or presidency, and of imposing serious restrictions on what they can do with their lives after having occupied such posts.

A Central Bank of any country in the world needs people with experience in their respective financial systems. I defend the idea that it is necessary to consider the possibility of establishing defined mandates for the president and directors of the Central Bank.

Finance, Planning Ministers Said at Odds Over Imports

PY2103192095 Rio de Janeiro JORNAL DO BRASIL in Portuguese 16 Mar 95 p 8

[Article by Cristiano Romero]

[FBIS Translated Excerpt] Brasilia—Finance Minister Pedro Malan and Planning Minister Jose Serra are in disagreement over how to stem the import outburst. Economists serving on Malan's team believe the government should adopt new anticonsumption measures designed to deter imports only as a last-ditch solution. Acting behind the scenes, Serra wants the government to restrict the action of importers and to go as far as setting up import quotas.

The disagreements between the Malan and Serra teams have surfaced as a result of the large February trade deficit, which has not yet been officially released. According to Finance Ministry experts, preliminary figures show that the trade deficit in February—the fourth consecutive month having a deficit— exceeded $1 billion. Losses in the Brazilian trade balance have totaled $2.7 billion in four months.

The Finance Ministry team members do not want to restrict imports. In the first place, they believe that if the government did that, it would reduce the supply of foreign products and, consequently, fuel inflation. An adviser said: "Since the implementation of the Real Plan, the prices of industrial goods have been the ones with the lowest increases as a result of the possibility of importing these items at lower prices."

Second, the Finance Ministry experts consider the establishment of import quotas to be a step backward in the policy of promoting open trade. They also claim that the government has already agreed—through negotiations with the Argentine Government—to raise the import tariffs of some products within Mercosur [Common Market of the South]. An expert said: "This move will already have an impact on inflation."

Malan's advisers believe that the best way to reduce imports is to slow down the economy, which grew by more than 5 percent in 1994 and which continues to keep the same pace despite the successive anticonsumption packages approved since July 1994. Serra himself concurs with this contention because he knows that a combination of contained imports and an overheated economy would be disastrous. The experts noted that there is still leeway for increasing from 90 to 100 percent the mandatory figure at the Central Bank of demand deposits and from 27 to 60 percent the mandatory figure of time deposits. [passage omitted]

Senator Asks for Leave of Absence Over Drug Charges

PY2103135595 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 21 Mar 95

[FBIS Translated Text] Senator Ernandes Amorim [Democratic Labor Party, Rondonia State], the fourth secretary of the Senate board, has backtracked and asked for a 60-day leave of absence as fourth secretary. He contends that he is taking this step to remove every obstacle to an ongoing investigation of charges that he is involved in drug trafficking and in illegal mining activities.

Senator Amorim again stated that the charges were raised by mining companies having vested interests in the exploitation of mining deposits in Rondonia.

The Attorney General's Office is conducting the investigation and the Senate Constitution and Justice Committee has already authorized a Senate investigation of the charges pressed against Amorim.

Government 'Blunders' in Appointing New Officials Viewed

PY2103134495 Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 Mar 95 Section 1 p 11

[By Josias de Souza]

[FBIS Translated Text] Distribution of public positions among the ruling parties, instead of pacifying the parties, is creating a behind-the-scenes battle among Planalto Palace allies.

Nearly 5,000 positions, 100 of which will be filled in the first stage, are being contested. Parties such as the PMDB [Brazilian Democratic Movement Party], PSDB [Brazilian Social Democracy Party], PFL [Liberal Front Party], PTB [Brazilian Labor Party], and PP [Popular Party] are elbowing each other to ensure their piece of the pie.

Concerned about ensuring support for the constitutional reform, President Fernando Henrique Cardoso, 63, decided to fill the federal positions more quickly. The first movements in this direction have simply intensified the crisis.

An example: Agriculture Minister Jose Eduardo de Andrade Vieira has decided to replace his regional agricultural delegate for Santa Catarina State with Roberto Zimmermann, who is linked to his party, the PTB.

The problem is that there is not even one Santa Catarina PTB member in Congress. In other words, the changes

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made by the minister did not grant the government any vote. Worse than that, the Santa Catarina PMDB, which believed itself entitled to the position, became enraged.

The PFL, also believed to have chances of obtaining the position, is criticizing Minister Andrade Vieira in the corridors of Congress. Santa Catarina-born Jorge Bornhausen, president of the PFL national board, is one of those who criticizes Andrade Vieira. Bornhausen believes that actions such as the agriculture minister's recent move contribute to eroding the government's prestige in Congress.

Difficulties have been occurring from one extreme of the country to the other, from the southern border to the northern one. In Para State, the government decided to give prestige to Governor Almir Gabriel, who is also a member of the PSDB, as is President Fernando Henrique Cardoso.

Planalto Palace granted Gabriel the priviledge of appointing someone to head the Sudam (Amazon Region Development Superintendency), one of the most coveted positions in the region. As a result, Fernando Flecha Ribeiro has been appointed Sudam superintendent.

Just like the Santa Catarina PTB, the Para State PSDB did not elect any senator. In this case, the government did not fill its basket with votes, either. To complicate the situation, the government irritated Para Senator Jader Barbalho, PMDB leader and head of the Senate's largest bloc.

Barbalho's response was disastrous for the government. Under his leadership, senators approved the bill that establishes a 12-percent ceiling to real interest rates.

In his confidential remarks, Planning Minister Jose Serra ironically identifies government supporter Barbalho as one of the most active opponents of the government in Congress.

In an attempt to remedy the situation, President Fernando Henrique Cardoso included Barbalho among the senators he will receive tonight at the presidential residence, the Alvorada Palace, where he will host a dinner.

In addition to the Para senator, other outstanding Senate personalities will share Cardoso's table: Senate President Jose Sarney (PMDB - AP) [PMDB - Amapa State], Antonio Carlos Magalhaes (PFL - BA) [PFL - Bahia State], and Roberto Requiao (PMDB - PR) [PDMB - Parana State].

As a matter of fact, Senator Magalhaes is the protagonist of another of the government's blunders in distributing positions.

Jeferson Albuquerque was appointed director of the Rural Credit Department of the Northeast Bank. His appointment was recommended by Ceara Governor Tasso Jereissati, also of the PSDB.

As Albuquerque worked at the bank's superintendency in Bahia State, the government tried to sell his appointment as part of the quota of the Bahia State PFL, which is headed by Magalhaes and his son, Deputy Luis Eduardo Magalhaes (PFL). The two did not accept it.

Together with Antonio Carlos Magalhaes and Luis Eduardo Magalhaes, Maranhao State and Piaui State government supporters reacted because they thought they had authority to appoint the person to occupy the seat that was given to Albuquerque.

Civil Household Chief Clovis Carvalho, appointed as the person responsible for administering the parties' requests sent to Planalto Palace by the party presidents, is at the center of the controversy.

This is why, in the last few days, he has become the government supporters' favorite target in Congress.

In private comments, Carvalho says he has been doing nothing but submitting claims to the president of the Republic, who has the last word.

Unless President Cardoso finds a political coordinator, as his allies have been requesting, criticism of Clovis Carvalho will increase. The war has just begun.

Decree Grants Powers to Future Intelligence Head

PY2103152295 Rio de Janeiro O GLOBO in Portuguese 18 Mar 95 p 10

[FBIS Translated Text] Brasilia—Even before the creation of the Brazilian Intelligence Agency (Abin), its future director, General Fernando Cardoso, has already been empowered to sign contracts and agreements; to call, to revoke, or to dispense with tenders; and even to delegate powers for making payments to third parties.

The DIARIO OFICIAL DA UNIAO published, on 17 March, a decree bestowing the above powers on Gen. Cardoso within the framework of the Intelligence Under Secretariat of the Strategic Affairs Secretariat (SAE).

The Senate and the Chamber of Deputies will have to pass a law to create Abin. In the meantime, the future Abin head is serving as special adviser to the president at Planalto Palace.

The decree, signed yesterday by Eduardo Jorge Caldas Pereira, secretary general of the presidency, and SAE Secretary Ronaldo Sardenberg, grants Gen. Cardoso supervisory powers over the Intelligence Under Secretariat.

The Intelligence Under Secretariat consists of 1,200 agents who had served under the now defunct National Intelligence Service (SNI), the investigative branch of the military regime. Gen. Cardoso will also have the power to remove or to promote agents serving in the under secretariat.

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Congress Seeks Rules for Approving Constitutional Reforms

PY2103185395 Rio de Janeiro O GLOBO in Portuguese 19 Mar 95 p 9

[FBIS Translated Text] Brasilia—The generalization of the Constitution [desconstitucionalizacao], a theory formulated by Justice Minister Nelson Jobim to facilitate the debate over constitutional reform, is provoking a great deal of controversy. Congressmen agree that the Constitution should be made more general, but demand that the government lay down new rules for operations in areas such as oil, telecommunications, and social security.

Through the generalization proposal, the government seeks to leave only major guidelines within the Constitution and use regular or supplementary laws to outline the rules of implementation for each sector. Deputies will not vote, however, on any constitutional change until they know the government's specific proposals. The position of the congressmen is forcing cabinet ministers to work on rules of implementation even before the constitutional amendments have been approved.

Michel Temer (Sao Paulo), leader of the Brazilian Democratic Movement Party [PMDB] in the Chamber of Deputies, believes Congress will approve the economic reforms as long as the government gives assurances that the laws of implementation will contain strict rules about the participation of private capital in oil and telecommunications.

Temer said: Whenever there was a major disagreement, the Constituent Assembly chose to transfer the problem to the laws that would be passed later. Now, the process is the other way around. No one wants to approve anything before knowing what is in store.

Francisco Dornelles (Rio de Janeiro), a leader of the Progressive Renewal Party, believes Congress will not issue a blank check to the government by voting to end the Petrobras [Brazilian Petroleum Corporation] monopoly, but will seek concessions for the participation of private companies as specified in a supplementary law.

New Brasilsat Being Tested Prior To Launch

PY2103161795 Sao Paulo AGENCIA ESTADO in Portuguese 2214 GMT 20 Mar 95

[Report by Julio Ottoboni]

[FBIS Translated Text] Sao Jose dos Campos, Sao Paulo, 20 Mar (AE)—The Brasilsat B-2 satellite is part of the new series of space communications equipment developed by the Hughes Aircraft enterprise. It incorporates the most advanced technology. It has been on test for 40 days at the Integration and Testing Laboratory (LIT) of the National Institute of Space Research (Inpe). The tests began in July and ended in August last year. This has given Brazilian experts experience in testing large satellites.

The Brasilsat B-2 is much larger and has more power than its A-series predecessor. It has a nickel-hydrogen battery which enhances its functioning and offers more reliable electrical power. The satellite will be placed in earth-stationary orbit over the equator and will cover the Amazon Region territory for its 12 years useful life. It will be at an altitude of 36,000 km at 70 degrees West.

One new feature of the B-2 transponders is that seven of its 24 C-band channels (used by televisions, radios, data, and voice transmission) will be used for the Mercosur [Common Market of the South]. This is new in terms of communications in Latin America. Four other powerful channels also use this frequency band. One of the X-band transponder is for the exclusive use of the Armed Forces and may be used in the Amazon Region Surveillance System (Sivam).

The launching of Brasilsat B-2 has been postponed twice this month alone; on 10 and 15 March. The launch dates in August and December 1994 had to be postponed following a failure in the French Ariane launch rocket. The B-2 weighs nearly 850 kg with empty fuel tanks and is classified as a large satellite.

Demonstrators Protest Constitutional Reform in Rio

PY2103143795 Rio de Janeiro JORNAL DO BRASIL in Portuguese 18 Mar 95 p 1

[FBIS Translated Text] Nearly 500 activists of union organizations and left-wing parties yesterday violently clashed with Army military police personnel in downtown Rio de Janeiro during the first demonstration staged against the constitutional reform proposed by the government. The protest, which left five people injured, occurred during an official visit paid to the city of Rio de Janeiro by President Fernando Henrique Cardoso, who launched the program Wake Up, Brazil [Acorda, Brasil], designed to promote the recovery of basic education, and formalized the creation of the Coordinating Council for Federal Action in Rio de Janeiro. The demonstrators awaited Cardoso outside the Bank of Brazil Cultural Center, where the relevant ceremony was held, chanting slogans against the constitutional reform. While trying to stop the presidential car, the activists clashed with policemen wielding clubs and hurling tear gas canisters. The activitists threw stones and cans and used wooden sticks against the police. Cardoso also had lunch with former President Ernesto Geisel and stated that the he will push for the reforms "come what may."

Effects of High Interest Rates on Costs Viewed

PY2103172495 Rio de Janeiro O GLOBO in Portuguese 19 Mar 95 p 53

[Article by Rachel Bertol; figures as published]

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[FBIS Translated Text] Brazil is paying a high price for its economic stability. To counter "the speculation attack on the real"—as it was described by the government—interest rates were raised abruptly to bring to heel those banks that purchased dollars betting that the exchange rate would go out of control. Over the next few months, interest on the loan to purchase dollars will yield much more profit than the purchased dollar themselves. The bill for this maneuver by the banks will nonetheless be paid by the federal government whose debt, according to the latest information, amounted to $102.725 billion in January.

Interest rates climbed from 3.22 percent to 4.25 percent per month. Considering a 2 percent monthly inflationary projection, real interest rates (above inflation) jumped from 1.2 percent per month to 2.21 percent, some 30 percent per annum. Government figures state that last year $10 billion alone were used to pay for National Treasury Bond interest. Unless the total debt is reduced—which can only happen if the government collects more than it spends—the cost of servicing the debt this year will rise given the new high interest rates.

Preliminary market forecasts indicate the debt service could reach $20 billion. This is twice the 9 billion reals [R] ($10 billion) allocated as the health budget for 1995. That is, the government will once again spend as much on servicing the debt as it did when inflation was at nearly 40 percent monthly.

Marcio Garcia, economy professor in the PUC [Pontifical Catholic University], says interest is currently one of the main mechanisms, if not the only one, that maintains economic stability; as long as the Constitution is not amended to reduce the public deficit.

He said: "I do not know any economist who would happily recommend increasing interest rates. Medical doctors do not like to amputate, but face with a gangrenous leg there is no alternative."

Garcia believes, however, that the high inflation rate of the past few years has caused interest rates to loose credibility as an efficient monetary policy instrument.

He added: "In the United States, interest rates are an instrument of precision: an 0.5 percent increase can modify the whole economy. Here, interest rates are like stones: one must pelt the economy to have an effect."

Economist Carlos Ivan Simonsen Leal from the Getulio Vargas foundation says the government needs to give a signal that progress is being made regarding constitutional amendments.

He said: "It is necessary to give a sign that the government will pay its debt and thus reduce it domestically and allow the monetary policy become independent from the exchange policy."

Consultant Estimates Full Privatization Worth R89.5 Billion

PY2103205795 Rio de Janeiro O GLOBO in Portuguese 19 Mar 95 p 52

[FBIS Translated Text] Sao Paulo—Consultant Antoninho Marmo Trevisan has estimated that if the government privatized all the state-owned companies in the productive sector, it would raise nearly 89.5 billion reals [R], which is equivalent to 20 percent of the GDP and nearly 18 times the federal tax revenues collected in February. Trevisan's company, Trevisan Auditors and Consultants, was hired by the National Bank for Economic and Social Development to help in the privatization process of state-owned power companies.

Trevisan used figures released by the Planning Ministry to estimate—at O GLOBO's request—how much the government would raise by privatizing all of the state-owned companies, with the exception of financial companies. According to Trevisan, the assets of the 147 nonfinancial federal government-owned companies total $173 billion, while their consolidated debts total $74 billion. The net worth of these companies thus amounts to $99 billion. Because the market value of the assets of privatized companies has doubled, it may be estimated that the net worth of these companies would amount to nearly $198 billion—of which between $99 and $100 billion would go to the government coffers, in its capacity as the holder of an average of 50 percent of the shares of these companies.

Carlos Gustavo Simas, director of the Icatu Bank, noted that the private sector is most interested in telecommunications. Although this area requires large investments and the risk of technological obsolescence is high, it presents many business opportunities. The government has already shown its willingness to privatize practically the entire telecommunications area. Brazilian Telecommunications Inc. [Telebras], that is, the federal government, owns the telecommunications franchises in the states with the exception of the Rio Grande do Sul Company.

The energy sector is also quite attractive. The most attractive companies are Light and Escelsa, the only power distribution companies owned by the federal government. The others are owned by state governments, which have not yet announced their willingness to sell them. Private investors are also interested in power plants.

The government expects to raise at least $230 million through the sale of 51 percent of the shares of Escelsa in May, and more than $1.5 billion through the sale of Light and some petrochemical companies during the second half of 1995.

Private companies are also interested in the Rio Doce Valley Company [CVRD]. Trevisan estimates the CVRD market value at $18 billion. According to Luis Nelson, Trevisan's partner, if the CVRD conglomerate is

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privatized by sections, it will take longer for the government to complete the process, but it will raise at least 30 percent more than $18 billion.

Suspect in Series of Bombings Arrested in Belo Horizonte

PY2203012195 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 21 Mar 95

[FBIS Translated Text] One more bomb, the sixth, has gone off in Belo Horizonte, Minas Gerais State. This one went off at the headquarters of the Brazilian Attorneys Association, OAB. Police spent the entire day checking five different places where bomb threats had been received, but found nothing. The Military Police, PM, have increased the number of officers in places where many people gather and in front of communications enterprises.

Minas Gerais OAB President Raimundo Candido reported to Security Secretary Santos Moreira that a committee of lawyers will help investigate the attacks.

Police today released an identikit likeness of a suspect. Late in the afternoon a bomb went off in a restroom located in the basement of the OAB headquarters. One floor above, a demonstration renouncing the previous attacks was being held.

Six bomb attacks have occurred in 41 days. The first was at a movie theater in downtown Belo Horizonte. The second was at the home of a retired PM colonel. The roof of the OAB headquarters was destroyed by a bomb. On the night of 18 March a bomb went off in front of the largest Minas Gerais State newspaper printing shop. Late in the afternoon yesterday, another bomb was hurled at the local court of justice.

Police arrested two suspects tonight. They had been standing at the door of the OAB restroom.

[Sao Paulo AGENCIA ESTADO in Portuguese at 0011 GMT on 21 March in a report datelined Belo Horizonte adds: "Civil Police arrested electronic engineer Auspen Harmentani Mudado, 30, director of the Sole Workers Center, CUT, and of the Minas Gerais Union of Electricity Company Employees (Sindicato de Eletricitarios de Minas—Sindieletro), who was also among those who were presiding over the public demonstration. Three witnesses had seen him leave the restroom where the bomb went off a few minutes before the explosion."]

Poll Probes Public Opinion on Violence, Crime, Police

PY2203023695

[FBIS Editorial Report] Rio de Janeiro JORNAL DO BRASIL in Portuguese on 20 March publishes on page 12 an 500-word unattributed article on the results of a Vox Populi Institute poll on violence. The poll was carried out among 3,178 people of both sexes and of various levels of education and income in 217 municipalities across the country.

As far as the poll results for Rio de Janeiro residents are concerned, most think that the military actions in the city were ineffective. Asked whether they believe violence is increasing, 70 percent of the Rio de Janeiro residents surveyed reply in the affirmative. Only 8 percent believe that crime has decreased, while 20 percent believe the situation remains the same. Half of those interviewed had been the victim of some kind of violence or had a relative for whom that was true. Of the other half, who had not been victims of crime, 90 percent fear becoming victims, confessing that they are "very much concerned" about the issue. Another 7 percent of this half say they are "rather concerned" about violence, while only 2 percent are not worried about the issue. Of those surveyed, 81 percent confess they do not feel adequately protected by the police, while only 8 percent do feel protected. The article concludes by adding that 88 percent of those polled believe that corruption is rampant within the police.

As far as the whole of Brazil is concerned, 61 percent of Brazilians polled nationwide do not feel adequately protected by the police, 19 percent feel "rather protected," while only 17 percent believe that the police do protect their security. It adds that 77 percent of those surveyed believe corruption is rampant among policemen, and only 15 percent of them disagree with this point of view. Asked what the solution to this problem would be, 36 percent believe that better salaries would help, 32 percent believe corruption would end only if policemen were better trained, 12 percent believe that the only solution is federal intervention, while 2 percent believe that abolishing the police institution would be the answer.

Correction to Sao Paulo Legislative Composition Viewed

PY1703175995

The following correction pertains to the item headlined "Sao Paulo Legislative Assembly Composition Viewed," published in the 17 March Latin America DAILY REPORT, pages 25-26.

Page 25, column two, paragraph eight, only sentence, make read: ...will be conducted on a "case-by-case" basis, that is, negotiations will be held for each proposal. (new paragraph)

The PSDB members...(rewording for clarity, deleting editorial notation)

Chile

'Firm Stance' Forces UK Ship To Leave National Waters

PY2203001695 Madrid EFE in Spanish 2031 GMT 21 Mar 95

[FBIS Translated Excerpt] Santiago, 21 Mar (EFE)—The Chilean Government's firm position against the British

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ship Pacific Pintail, which is carrying radioactive plutonium waste, has forced the vessel to abandon the 200-mile exclusive economic zone before entering the South Pacific Ocean on its way to Japan.

This statement was made today by Chilean Foreign Minister Jose Miguel Insulza, who reaffirmed his country's discomfort over the ship's entry into the Chilean economic zone, though he admitted that Chile had no legal basis on which to prevent it.

The British ship left the Chilean exclusive economic zone of 200 maritime miles today, after having been warned by the Navy to abandon the zone.

"The ship abandoned the exclusive economic zone because Chile had requested it to do so," the minister said. He added that the country will now use all international means to prevent the future passage through Cape Horn of other ships carrying nuclear waste.

The minister also added that his government will submit to Japan, the United Kingdom, and France, the countries involved in this traffic in radioactive waste, an "explanatory" note that will legally justify the decision to forbid passage to the ship through its jurisdictional waters and adjacent territory.

The minister ruled out the possibility of presenting a "formal protest," as was initially announced on 20 March, and added that it had been decided instead to send a note conveying to these three countries the concern and fear prompted in Chile by the passage of the Pacific Pintail.

He denied that the Chilean position on this matter has been "weak," as charged by local ecological organizations. He said the alternative would have been to bring the ship to port, which he termed "irresponsible."

Insulza said that according to international legal regulations, Chile has no power to bring a ship to port unless the ship violates the 12-mile territorial zone. "There is no possibility for the adoption of forceful measures against a ship of this nature," he said.

He explained that in the explanatory note to be sent to Japan, Great Britain, and France the government will express the need "to make the maritime issue legally compatible with the environmental issue," and added that the government hopes to begin negotiations with those three countries.

The Chilean Navy, however, had to conduct another kind of negotiations with the Pacific Pintail.

The "Greenpeace" ship Solo on 20 March intercepted the conversation between the captain of the Chilean vessel and that of the Pacific Pintail, who was informed that "the Chilean Government reserves the right to use force if you do not respect our resolution to safeguard our interests in our exclusive economic zone."

The British captain responded that he had heard the message, replying that "I think the use of weapons would not be very sensible, taking into account the nature of our cargo." [passage omitted]

NAFTA Negotiating Team Outlined

95SM0241A Santiago EL MERCURIO in Spanish 25 Feb 95 p D3

[Article by Alicia de la Cruz. M.]

[FBIS Translated Text] Some have been members of working groups since Foxley was finance minister; others have been coming on board since November when the work resumed. Others, the ones who came from the Economic Division of the Foreign Ministry, had a three-day "break" when their boss, Juan Salazar, removed them from Eduardo Aninat's area.

These working groups have been created to conduct negotiations for the North American Free Trade Agreement (NAFTA) with the United States, Mexico, and Canada. On technical matters, they are ready to begin talks and their reports on the private sector will be ready toward the end of March, when the first working meeting for the treaty is expected to be held in Santiago.

The political aspect of the negotiations is something else. The structure of those decisions depends on the president of the Republic, and the organization chart of how that decisionmaking network will be structured will be confirmed this weekend by the chief executive.

Come what may, there are already indications of what that structure will be, and no one has any doubts that the finance minister will retain the key role that he has played on this issue to date.

But that is on the decisionmaking or political level.

Farther away from this, in various offices in the building at Teatinos 120, in other offices of the Foreign Ministry and in the Production and Trade Confederation, substantial progress has already been made. About 300 businessmen are involved, and at least 60 civil servants have been permanently assigned to work on this issue. Despite the differences that may arise at any given moment between the Economic Division of the Foreign Ministry and the Finance Ministry, the groups are persisting in their laborious task of analyzing NAFTA's structure in relation to Chile's legislative situation and the perception that the business community has of the sectors affecting them.

The Most Powerful Structure

The decision, of course, is up to President Frei. However, among the various formulas being talked about, the one that seems almost certain to be adopted is the creation of a ministerial panel chaired by the minister of foreign relations (who, by law, must deal with issues related to international treaties), and composed of the

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ministers of finance and the economy, and the head of the Secretariat General of the Presidency.

They would make up the select group responsible for informing the president of the Republic of the progress of the negotiations, coordinating all the negotiations that Chile has undertaken, and making decisions appropriate for the progress of these negotiations.

Following the chain of command, each of these cabinet officials would appoint his own representative to a sort of panel of delegates. That could be created from the now existing NAFTA coordinating panel, and it would analyze all the treaties that might be negotiated in a parallel form in order to create effective coordination among the different groups. Some negotiators might be shared. This group, in essence a negotiating group, would have to inform the panel of ministers and maintain—in NAFTA's case—close coordination with the director of the negotiations: Minister Eduardo Aninat.

Of course, this delegates panel is only an idea that might alter another prior proposal, which called for establishing a panel of undersecretaries.

What actually exists has come about from the coordinating committee chaired by the former ambassador to Spain, Juan Gabriel Valdes, and the working groups formed by people from both the public and private sectors.

Key Issues for Analysis

Juan Gabriel Valdes does not express his views on the political power structures on this issue; he does, however, explain that "the issues we have been considering so far are coordination, the negotiators, working groups, relations with the private sector—which includes businessmen, workers, NGO [Nongovernmental Organizations], and other groups interested in the issue—, relations with Congress, and relations with consultants."

He states that at this time about 300 businessmen are working in 11 sectorial groups (see organization chart [not reproduced]). These groups, in some cases based on a need perceived by the businessmen themselves, may be subdivided into other subgroups. Each sectorial group is coordinated by a government official. On this point, it is important to realize that the negotiators may only be "government officials," that is, civil servants.

All of NAFTA's chapters have been divided among different groups, where 60 government officials are permanently, and as a priority, assigned to conduct the analysis of what the treaty contains, and the needs and wishes of national sectors.

Valdes explains: "We have perceived the process of studying NAFTA and preparation for this treaty as the gradual creation of a negotiation matrix. This is being developed based on the information that exists in the sectorial groups that express the wishes of the business community about the rates of tariff reduction suitable for their own products and for Chile."

He states that, in any event, "The opinion of the businessmen is vital, but at the same time it is to be used for information purposes, as it is the government that will finally make the decisions."

Starting from this point forward, attorneys are going to play a crucial role. Along with the technical consultants, the government's legal advisers and others hired for this purpose are studying the impact of each of NAFTA's chapters, both on the nation's economy and on its legal institutional system.

The group of attorneys is coordinated by Jaime Irarrazaval, an attorney with extensive experience in international legal matters.

The "Hard Drive"

The NAFTA coordinating committee began to work two months ago, even though it is still not clear where or how it will fit in the political authority organization chart. It is composed of Juan Gabriel Valdes from the Finance Ministry; Alejandro Jara from Foreign Relations; Carlos Bladinic, undersecretary of the economy; Carlos Vergara, director of research at the General Secretariat of the Presidency; and Ricardo Vicuna from the Finance Ministry.

To date, this group has debated the groups' working format, the decisions that need to be made about other negotiations, and how to coordinate these negotiations.

Under this organization is located what Valdes calls "the hard drive," using a computer reference.

These groups are the ones that spend more time working on issues: the central technical team. This is a group of professionals who are responsible for following progress day by day, and its members coordinate the majority of the working groups. What is practically certain is that in each negotiation at least one of these people will serve as a negotiator, for in the end, these are the people who handle the information.

This group is chaired by Juan Gabriel Valdes; its members are: Ricardo Vicuna, Andrea Butelmann, Maria Eugenia Wagner, and Jorge Kaufmann—economists—and Ricardo Lagos, Jr., Liselott Kana, Alejandro Jara, and Jaime Irarrazaval, attorneys.

The organization's administrative director, Eugenio Poessel, is also a member.

In April, they will submit recommendations to the council of ministers, informing them—based on studies completed in March—where they may find "bottlenecks" or the fastest routes.

For Juan Gabriel Valdes, the idea is then to provide solutions, which "we are going to develop, not only from the work of a group of technocrats shut up behind closed

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doors, but also based on the contributions of the private world, the business sector, and the CUT [United Workers Confederation]."

Other Advisers

In fact, after the conflicts were resolved, conflicts which at one time caused the union federation to withdraw from this organization, the CUT appointed a group of people to take part in the negotiations, especially in the labor impact commission, a key NAFTA side agreement. The United Workers Confederation appointed as its representatives to this group: Manuel Bustos, Maria Rozas, Jorge Millan, Miguel Soto, and Raul Aravena.

Another panel that will take part in the analysis is one that will be composed of environmental groups, who will address the concerns they have. For this purpose, Valdes is talking with Sara Larrain, who heads a unit that includes NGO's that deal with environmental issues.

And of course, one major group that must be considered is Congress.

The Chamber of Deputies has already appointed a special commission to consider the issue and the Senate is expected to appoint its own commission soon.

For Valdes, it is essential "to keep Congress informed, because in the end it is Congress that will ratify the treaty, but this is also important in terms of the delegations that go abroad. We want," he added, "to provide support for Congress so that when it sends delegations to the United States, they can explain to members of the U.S. Congress the reasons why we are interested in NAFTA, and they will also be able to state firmly Chile's interests in this area and discuss." That is, to enable Chile's representatives to lobby on equal terms.

Colombia

Samper Interviewed on Border Situation

PA2103204595 Caracas EL NACIONAL in Spanish 20 Mar 95 p A-6

[Interview with President Ernesto Samper Pizano by reporter Jesus Ortiz Nieves of the Colombian newspaper EL TIEMPO, "special for EL NACIONAL"; in Santa Fe de Bogota; date not given—first two paragraphs are introduction]

[FBIS Translated Text] The Colombian-Venezuelan border issue has received more headline space than the issue of U.S. certification. One does not have to ask why. There are more than 2,000 km of mountain range, jungle, desert, and a handful of towns, where everyday life depends on events in the two nations.

Colombian President Ernesto Samper expressed his opinion regarding this matter and specifically about statements by his colleague Rafael Caldera on pursuing the guerrillas. Likewise, he feels optimistic about the peace process with the guerrillas. The president has reason to be happy as he scored 81 percent in the latest opinion poll.

[Ortiz] What do you think about the statements Rafael Caldera made to EL TIEMPO when he said if there are more guerrilla attacks, Venezuelan troops will chase them down, even on Colombian soil?

[Samper] I agree with President Caldera on the need to maintain an effective presence of the two nations along the border. I also agree with the need to examine ways of coordinating the operations of our troops. The limits of such operations, of course, are stated in the provisions of the Constitution and the law, both in Colombia and Venezuela. This issue will be addressed at this week's meeting of the Presidential Advisory Committee on Foreign Relations.

[Ortiz] Do you view the situation with Venezuela as a very delicate one?

[Samper] It would be a sensitive situation if the two governments were not aware—which we are—that this is an attempt by the Colombian guerrilla movement to create instability in Colombia by turning the two governments against each other. These are two governments that, despite the differences we have and have had in the past, maintain very close relations. It is very clear to me that there is one common enemy between the two nations. The only ones to benefit from a conflict along the Colombian-Venezuelan border would be the subversive groups on either side, as this create instability. Colombia enjoys the friendship of President Caldera and the Venezuelan people. The Venezuelan people, and I have said this on several occasions, have the friendship of the Colombian President. To me, this is what counts.

[Ortiz] President Caldera has created a military operations theater along the border. Does Colombia view this as too much provocation?

[Samper] It is his right to evaluate situations of public disorder inside Venezuelan territory, as it is Colombia's right to do the same. We decided to reinforce our military presence along the border and create an eastern unified command to ensure greater control. I seriously doubt that Venezuela would interpret that as an act of aggression. The responsibility for maintaining peace along the border belongs to the armies of the two nations.

[Ortiz] Has Colombia fallen short in its military presence along the border?

[Samper] That could very well be. It is not because we lack willingness, but because we have had to deploy our troops to other areas of internal conflict. We have now reinforced our military presence, and we are continuing our efforts to increase our presence, on the premise that the best way to protect a border region is by creating the conditions for reciprocal progress.

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[Ortiz] So, you see no reason for alarm over bilateral relations?

[Samper] If Colombian soldiers had perpetrated the attack against the Venezuelan post or if the Colombian response in establishing an effective presence along the border had not been as swift or if we had failed to maintain a channel of open communication with President Caldera as we did, the situation would have become very alarming. I realize that there some sectors that are somewhat incensed and others that could easily be stirred up on either side. I do believe, however, that the great majority of Colombians and Venezuelans alike realize that increasing tension benefits no one under the current circumstances. Last year the trade balance in the two countries benefited Venezuela. Several Colombian banks and industries are jointly owned by investors from the two countries. Do you believe it would be worth our while to throw all that aside because of a conflict which does not involve either of our governments? Instead, I would like to present a friendly protest to several members of the news media. They have covered the story in an inflammatory way which is not very helpful.

[Ortiz] There is an issue that has many people anxious: The government has been in power seven months and there is nothing to indicate peace.

[Samper] What do you mean by nothing?

[Ortiz] No dialogue, the guerrillas have increased their activities to the extent of creating a political crisis between Colombia and Venezuela...

[Samper] Why, yes, but we should not fool ourselves. During my campaign and then during my inauguration speech I said that one of my administration's goals would be permanent peace. I do not want to start out on a mission that could end in more frustration. When I do initiate a peace process, I want to be sure that it will really end with a permanent peace that will benefit the whole nation.

Up to now, I think we have found some positive elements with which we are now working. The humanization of the war is one example. I am convinced that if the country continues in this continued state of confrontation, our primary effort must be to isolate the civilian population from the effects of the war.

I continue to be highly optimistic about the prospects for peace. I naturally do not want a shallow peace or an image of peace. What I am after, and I will not give up until I achieve it, is a permanent peace, a lasting peace. If that means we have to take a little more time, I am willing to wait for however long I have to.

[Ortiz] How can there be positive elements when the guerrillas announce they going to release the two Swedish nationals and then fail to do so or when we see the way the Venezuelan soldiers were massacred, which indicates that the guerrilla movements show no will for peace or respect for Protocol II?

[Samper] I am the first one to recognize that such actions make peace more elusive and contribute nothing to promoting the atmosphere of trust and understanding that must surround such a process. However, we must interpret these actions as all the more reason for seeking peace and for opening new paths. We cannot go on living in this delirious state of confrontation.

Regarding the Swedish nationals, I personally have remained fully aware of the case. I met with Development Aid Minister Pierre Schori of Sweden several months ago in Brasilia, and we have given all those who have approached Colombia to try and secure their release every assurance. I am deeply sorry that the guerrillas failed to fulfill their promise and release the engineers, who come from a country which has been so supportive of the plight of Latin American political refugees.

[Ortiz] Are you pleased with the way the Armed Forces have acted in the fight against the guerrillas?

[Samper] I believe the Armed Forces have acted properly and professionally and are behaving within the legal framework.

[Ortiz] Does not the debate on Protocol II lessen the offensive capacity of the Armed Forces?

[Samper] I do not believe the Armed Forces' offensive capability is linked to human rights violations. On the contrary, government officials are the first ones who should respect human rights. This is precisely what gives the Colombian government legitimacy, unlike the rebel movements. Respect for human rights is precisely what gives our Armed Forces and police the legal and exclusive right to use force.

[Ortiz] Self-defense groups, which have asked for political status, have become stronger in comparison to the guerrillas. Why not talk to them?

[Samper] Those very groups have defined themselves as groups that do not act against the state but within the state. To that extent, they cannot be given political status to negotiate because they are not a counterpart to the state. They can certainly be offered alternatives to disarm or to surrender.

[Ortiz] Do not you believe it is utopian to announce that there will be no poppy or coca crops within two years?

[Samper] The reason for this is that the program does not only consist of crop fumigation. It also involves applying comprehensive development solutions in those areas where today there are crops. My trip to Europe yielded an important result: the clear commitment by the European Union to finance alternative development programs. These programs not only consider exchanging coca crops for plantain crops because this sort of substitution does not work well; rather these programs seek to apply an integral development solution to those areas where there are illegal crops.

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[Ortiz] Are you pleased with what is being done in the fight against drug trafficking?

[Samper] One is never pleased, but within the policy that was established on 7 February to launch an all-out war against the problem, I honestly believe we have made progress regarding matters such as the eradication of crops. We have scored major victories in the destruction of industrial installations such as laboratories. We have intensified the operations against the cartels, and we have advanced in the solution of problems, such as those affecting San Andres, through massive operations. As for international cooperation, I am very pleased with the results we obtained in Europe. There is an understanding that there is also a commitment on the part of consuming countries regarding a reduction in demand. No one who views objectively what we have done can believe there is not a clear political resolve to fight drug trafficking.

[Ortiz] Are there any officials or collaborators who annoy you?

[Samper] A few. But only some of the political animal species, such as certain toads, lizards, snakes, chickens and an occasional scorpion make me fly off the handle.

Attitudes Toward Peace Talks Surveyed

95CA0164A Santa Fe de Bogota EL ESPECTADOR in Spanish 5 Mar 95 p 3A

[FBIS Translated Text] Disbelief in the guerrilla movement and support for dialogue as an alternative for resolving the subversive conflict are the chief results of the poll on peace taken by the firm Yankelovich de Colombia for EL TIEMPO.

According to the majority of those polled (71 percent), the guerrilla movement lacks a sincere will for peace, consists of common criminals (70 percent), and does not represent revolutionary ideals. Furthermore, it derives most of its income from the drug traffic (70 percent), kidnapping (68 percent), and extortion (59 percent).

To address this situation, those who expressed opinions have once again proposed a political alternative because, when answering the question as to whether the government should seek dialogue with the guerrilla movement, the majority of those polled (74 percent) said they think so. However, unlike Ernesto Samper's proposal, their belief is that some conditions should be set (71 percent).

Of these conditions, the principal one mentioned is a ceasefire, followed by disarmament, respect for human rights, and an end to the kidnapping and extortion.

Hence, most of the opinion voiced, at least in the cities, rejects the guerrilla movement, but thinks that the solution to the conflict demands, as a prerequisite, the cessation of the activities which affect the civilian population most directly and negatively.

And that opinion increases as the social stratum rises because, among the lower-low class, 61 percent think that the government should set conditions, and 94 percent of the upper class share the same view.

As for the features of that dialogue, the majority think that it should be held with the news media present, and inside the country.

Support for the peace process is also evident from the fact that the majority of those polled said they would give a job to an ex-guerrilla. However, when asked about voting for one of them to assume public office, only 39 percent of the persons queried answered affirmatively.

Poor and Rich

Regarding the differentiation of results by social strata, one observes that the greatest support for the guerrillas comes from the lower-low classes, declining as the stratum rises. The poorest also show more support for the government's search for dialogue.

For example, whereas among the lower-low class, 42 percent consider the guerrillas to be common criminals, this percentage is 87 among the upper class. And in response to the question of whether the government should seek peace, while 90 percent of the lower-low stratum say yes, only 65 percent among the upper class give the same answer.

As for the willingness to give employment to an ex-guerrilla, 84 percent of the lower-low class would do so. This percentage drops as the class rises, ending with 55 percent among the upper class.

In answering the question as to whether the guerrilla movement has a sincere will for peace, 42 percent of the lower-low class do not think so, and 84 percent of the upper class give the same response.

It may be concluded from these results that, since the guerrillas' actions affect the lower class more directly, this social group is the one considering a solution to the conflict more necessary.

Concerning the features of the dialogue, 79 percent of the lower-low stratum think that it should be held with the news media present, whereas this view is held by 59 percent of the upper stratum.

On the other hand, the answers to the question of whether the dialogue should be held in the country or abroad do not vary so much according to social strata. Among the lower-low class, 89 percent favor its taking place in the country, as do 71 percent of the upper class.

Hot Spots

When the results are analyzed according to the cities polled, 34 percent in Bucaramanga believe in the guerrilla movement's will for peace.

Conversely, in Bogota, where the subversives' presence is not so blatant, those believing in the guerrilla movement's will for peace represent 19 percent. In Medellin and Cali, they number 22 percent, and in Barranquilla, 24 percent.

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As for the question of whether the government should seek dialogue, an affirmative answer is given by 86 percent of those polled in Bucaramanga, 68 percent of the residents of Bogota, 74 percent in Medellin, 75 percent in Cali, and 86 percent in Barranquilla.

Youth Do Believe

Individuals between 18 and 24 years of age are the ones who most believe in dialogue and, at the same time, in the guerrilla movement.

For example, 84 percent of them think that the government should seek dialogue, 26 percent believe that the guerrilla movement represents revolutionary ideals, and 24 percent are convinced that it does have a sincere will for peace.

These percentages decline with advancing age, ending at 59, 14, and 16 percent, respectively, among persons aged between 60 and 64 years.

Technical Record

The poll on the guerrilla movement and the peace process was taken by the firm Yankelovich de Colombia for EL TIEMPO, from 26 February to 2 March.

A thousand persons were queried, consisting of males and females over age 18 from the six social strata, through a random sampling by telephone, in Medellin, Bogota, Cali, Barranquilla, and Bucaramanga.

The dialogue should be held:
[figures are percentages]

In the country	91
Abroad	6
Don't know/no answer	3

The dialogue should be held:
[figures are percentages]

With the news media present	74
Confidentially	24
Don't know/no answer	2

The guerrilla movement represents:
[figures are percentages]

Common criminals	70
A revolutionary ideal	19
Don't know/no answer	11

Would you give employment to an ex-guerrilla?
[figures are percentages]

Yes	69.5
No	8
Don't know/no answer	22.5

Do you think that the government should seek dialogue with the guerrilla movement?
[figures are percentages]

Yes	74
No	25
Don't know/no answer	1

Should the government set conditions?
[figures are percentages]

Yes	71
No	19
Don't know/no answer	10

What conditions should the government set?
[figures are percentages]

Ceasefire	51
Arms surrender	29
End to kidnapping and extortion	20
Respect for human rights	21
Others	23
Don't know/no answer	4

Efforts To Fight Cali Cartel Discussed

95WD0218A Santa Fe de Bogota SEMANA in Spanish 7 Mar 95 pp 23-27

[Unattributed article; first paragraph is source-supplied introduction]

[FBIS Translated Text] With the U.S. reprimand and the arrest of Jorge Rodriguez Orejuela, a decisionmaking phase is starting in the battle against the Cali Cartel.

Jorge Rodriguez is a man of omens. He would visit Marleny Martinez regularly, to have her predict the future for him. On that Thursday night, he was driving his late-model Swift car with license plates JWD-064, in a state of euphoria claimed by the Office of the Prosecutor General to have been caused by some chemical substance. At 2025 hours, he arrived at Marleny's residence in the Junin District of mid-downtown Cali. He left the vehicle, and began walking slowly toward the door. Suddenly, he saw the members of the Cali Joint Task Force in front of him. As soon as he spotted them, he headed for the car. Just then, he was approached by the uniformed men, who asked for his identity documents. He submitted an ID card and a pass, both false, bearing the name of Libardo Vasquez Perdomo. The Task Force agents examined them closely, but did not believe them to be authentic. "I think that he could be the one; let's take him," said an official participating in the operation. "You have beaten me; I'm the one you are

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looking for; don't harm me," was his only comment, made submissively. It was with this remark that the youngest of the Rodriguez brothers allowed himself to be handcuffed, docilely. He was then taken to the Task Force's headquarters and, a short time later, was flown to Bogota on a police airplane.

Almost no one knew of Jorge's existence, but the surnames were unmistakable: Rodriguez Orejuela. And, with his capture, the government managed to make an impact on public opinion at the most opportune time. Despite the success of the operation (consisting of a pursuit to ten locations which lasted two weeks), the fanfare given to the arrest was slightly exaggerated. He was claimed to have been surrounded by bodyguards, whereas in fact he was accompanied by four unarmed persons, who were released hours later. Jorge also was said to be one of the organization's heavyweights, and a key man in the cartel's machinery. Although there are more lawsuits against him than have been brought against his brothers, Miguel and Gilberto, counternarcotics experts consider him a medium pin rather than a king pin.

Nevertheless, the government had every right to celebrate. Jorge Eliecer's capture put an end to the taboo that no one was searching for the Rodriguez brothers. For all practical purposes, particularly in the view of the international

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public, the arrest of the family's youngest member sent the same message that would have been conveyed by the capture of any of his brothers: there is a political will to dismantle the Cali Cartel.

That political will, so logical today, was not evident in Colombia a year ago; not because the government might not desire it, but rather because the country did not desire it. The war against Pablo Escobar had divided the cartels between bad drug traffickers, who were setting bombs and blowing up planes, and good traffickers, who were not only limiting their business, but were also fighting the bad ones.

Many claim that Pablo Escobar was brought down by an alliance between the Colombian State and the Cali Cartel, and that this collaboration was tolerated at the time because of the irrational violence reached by "narco-terrorism."

With Escobar dead, a close proximity remained among the previous allies, and everyone began to think that the problem of the Cali Cartel could be settled willingly, with a mere surrender.

That was the purpose of the policy of surrender to justice, which was given only a lax interpretation, with brief sentences; and the Rodriguez brothers were willing to surrender in order to solve their personal problems.

The then prosecutor general, Gustavo de Greiff, was genuinely convinced of this method. He was aware of the cooperation that the Rodriguez brothers had provided to put an end to the Medellin Cartel chief, and was also firmly convinced that what was best for the country was to have them behind bars. They, in turn, had offered him the use of all their clout with the other cartels to reach an agreement for reducing cocaine exports. De Greiff thought that the country had nothing to lose by playing this card. If, in fact, the flow of cocaine were reduced, wonderful. If not, they would at least be locked up, which would necessarily represent more control than if they were left loose.

Based on these assumptions, an agreement on surrender was drafted, and the Rodriguez Orejuela brothers virtually went so far as to have their bags packed. At that time, Cesar Gaviria's opposition cropped up. The ex-president believed that De Greiff's method, rather than being a surrender, was a capitulation. His vehement confrontations with the prosecutor general were one of the reasons for the United States' giving him full support in his ambition to be secretary of the Organization of American States [OAS].

For all these reasons, the surrender of the Rodriguez Orejuelas was postponed until the election of the next government. Samper's thinking was closer to De Greiff's position than to that of Gaviria. He had the genuine conviction that a second "narco-war" for the country had to be avoided, and believed that the best way to achieve this was by setting conditions, thus enabling the Rodriguez brothers to decide to surrender.

However, the appearance of the "narco-cassettes" ruined everything. From the time that the president of the republic was publicly accused of receiving financial contributions from the Cali Cartel, surrender under the conditions that were being negotiated with De Greiff became impossible. Not because the public would not accept it, but rather because the United States would interpret any agreement as an act of reciprocity for the electoral support.

Because of the preceding circumstances, Ernesto Samper lost the maneuvering capacity that anyone governing must have to deal with such a delicate situation. The paradox reached the extent that, while the polls showed that the entire country wanted a voluntary settlement with the Cali Cartel, the only Colombian who could not sign such an agreement was the president of the republic. And if that were not enough, Alfonso Valdivieso arrived in the Office of the Prosecutor General, bolstered by the memory of his cousin, Luis Carlos Galan. As soon as he took office, the ex-Santander minister appeared in the eyes of the country as the antithesis of De Greiff.

The Cartel's Opportunities

However, the most decisive event in this episode was unquestionably the certification. To begin with, few Colombians knew of its existence until the U.S. ambassador, Myles Frechette, dropped the bombshell revealing that it might be refused. What may have been the greatest shock was not the discovery that this certificate of good conduct existed, but rather the realization, for the first time, that the decision on how to handle the Rodriguez Orejuela brothers' situation was not a problem of internal policy alone.

Never before had pressure from the United States been felt so strongly as that withstood by the country last month. Colombians, who had always boasted of their sovereignty vis-a-vis Uncle Sam, were left with the dimensions of schoolchildren reprimanded for a power the existence of which had been forgotten. Senator Jesse Helms intimidated the country, not only by carrying the stick, but also by speaking very harshly.

In any case, the threat of economic sanctions caused Colombia to tremble more than the Pereira earthquake had. Tariff privileges and markets that had been taken for granted were left on a tightrope overnight. There was even talk of a blockade on the purchase of coffee exports, which had been unthinkable until then.

The upshot of this entire episode is that the Rodriguez brothers were left with their backs to the wall. Their reputation as "decent" drug traffickers was overlooked, and they became the cause of the United States' possibly depriving Colombia of economic aid. Their pursuit or capture became the only way of discrediting all the stories that had been circulating in the United States,

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and were beginning to do so in Colombia as well, on account of the certification. A war of rumors was triggered, in which there was daily talk of a new cassette, and the the government appeared to be subjected to blackmail by the Cali Cartel. None of these cassettes has come to light; hence, there has been no proof of anything. Nevertheless, the loaves of Jesus Christ were being multiplied increasingly, and the mere rumor of their existence was bringing the government's political will to combat the Cali Cartel into question, insofar as the United States was concerned.

The only way of burying this snowball once and for all was to show results with the Cali Cartel's top echelon, and that is what Ernesto Samper and Fernando Botero achieved last Thursday. With the capture of Jorge Eliecer Rodriguez Orejuela, it is quite possible that the certification for national security that President Bill Clinton had recommended has been assured. Although this was a rather humiliating method of compromise, it would have been far more humiliating if the U.S. Senate rejected the government's position and opted to "dis-certify" the country. With one Rodriguez Orejuela in jail, this pessimistic scenario now appears to have been surmounted.

Not only that: the enthusiasm about the capture has generated dynamics of its own for the pursuit of the other members of the cartel's top echelon, and the occurrence of unexpected results within a short time is not impossible. In any event, the process appears to be irreversible because, with the youngest of the family behind bars, the government must go after the other two, who are the ones in control. From now on, only three things can happen: either the government captures the rest of the top echelon, the latter turn themselves in and surrender to justice, or another "narco-war" breaks out. This last alternative is the one that Ernesto Samper and all Colombians have attempted to avoid from the outset. A "narco-war" means that the drug traffickers decide to respond violently to their pursuit by the State. That was what Escobar did and, for some time, the strategy brought him results, enabling him to hold negotiations favorable to his cause.

It could be speculated that the Cali Cartel might be interested in taking a similar course of action. The authorities have complete information to the effect that they are very well armed and, according to the Defense Ministry and the DAS [Administrative Department of Security], they have been storing explosives. A source from the Cali Joint Task Force claimed: "The Rodriguez brothers are not violent, but if they were, they would be more effective than Escobar." Nevertheless, this same person admits that it is unlikely that an extreme situation will be reached.

Surrender Soon?

First of all, Gilberto Rodriguez and his brother Miguel are rational persons. The Escobar experience proved that anyone setting a bomb will sooner or later end up in the air, and at present the concessions that might be derived from violence are politically impossible. During the days of the Medellin Cartel, every time a paragraph in a decree displeased them, they had only to kidnap someone and, sooner or later, the paragraph was amended. Now, because of the external pressure, this would be absolutely impossible. Colombia would be economically blockaded whenever the international community believed that the process that led to La Catedral and the "jacuzzis" last time was beginning to be repeated. Furthermore, the greatest asset that the Rodriguez Orejuela brothers have for any negotiation of their sentences is their record as peaceful drug traffickers.

This prompts the belief that a surrender soon is not impossible, because the government is seriously seeking the Cali Cartel's top echelon, and everyone knows that those who seek will find. The great difference between surrender and capture is the possibility of negotiating sentences. And it may be predicted that the Rodriguez brothers, who have spent five years trying to negotiate theirs, will not sacrifice this last opportunity.

This is because the greatest contrast between the present situation and that during the Gaviria government is that, previously, the negotiations were conducted first, and then the surrender followed. Now, it must be the reverse: negotiations are possible, but surrender is necessary first.

3,000 Unknown Narcos

Colombia could be on the threshold of solving one of its major problems: that of the Cali Cartel. Not only does the country's international reputation depend on this—the government's internal credibility does as well. However, to facilitate this process, it is fitting that all sectors be realistic about it. The Cali Cartel is one of hundreds of groups that have sprung up in the country. It has an influence on the other cartels, but does not control them. Hence, if the cartel's top echelon is behind bars, there is no guarantee that the cocaine traffic will decline. An obsession has been created around the Rodriguez Orejuela brothers, but their value is symbolic within the overall context. In the country's southwestern section alone, there are nearly 3,000 small-scale drug traffickers about whom the state does not even have any idea.

Nevertheless, although no structural solutions to the drug trafficking problem are in sight, we must continue seeking short-term solutions. The position assumed by the government last week represents a major step in the right direction. The only requirement is that all the parties concerned contribute their small share for reaching the peaceful solution that everyone has sought for five years, but that has so far been impossible to achieve.

A Difficult Enemy—5 Strengths of the Cali Cartel

1. Leaders: Gilberto and Miguel Rodriguez, and the cartel's other 'capos,' are highly intelligent strategists, who pay very well for the best advice in all areas.

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2. Personnel: On the payroll: top echelon, 7; executives, 11; intermediate level, 35; base, 500. Affiliates: street vendors, 1,500; taxi drivers, 1,700; security guards, 3,000.

3. Communications:

- Its own impenetrable communications systems. They often talk on radio frequencies that are automatically changed every tenth of a second, making it very difficult to trace them.
- They have people infiltrated in the Cali Telephone Company.
- They control a beeper company.
- Any call received by the Rodriguez group goes through 10 different telephones before reaching any one of them.
- Powerful computers detecting all calls to Cali, and intercepting and storing conversations on 180 lines, have been confiscated from them.

4. Security:

- They are permanently surrounded by five concentric rings, in which only the commanders know one another.
- The top echelon and its bodyguards travel in taxis and are escorted between 0100 and 0500 hours.
- Every movement has five alternate routes, and each of them is covered by an advance group of motorcyclists.

5. Intelligence:

They have 96 retired Army and police officers, whose function is to recruit those on active duty.

Ecuador

Defense Minister on Future Direct Talks With Peru

PA2103133295 Quito Voz de los Andes in Spanish 1700 GMT 20 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Defense Minister Jose Gallardo has asserted that, in the future, the talks on territorial problems between Ecuador and Peru will be direct and without the participation of the guarantor countries. The Ecuadoran minister said they have been holding a three-way negotiation up to now but that he believes the time will come when they will hold direct talks.

Argentina, Brazil, Chile, and the United States are currently participating in the talks between Ecuador and Peru to establish the cease-fire and the demilitarization and demobilization of the troops stationed in a border area that has not been delimited and that was the site of 32 days of clashes between the two countries. The four mentioned countries are guarantors of the 1942 Rio de Janeiro Protocol that established the border between Ecuador and Peru; the 17 February 1995 Peace Agreement of Itamaraty, which is where the Brazilean Foreign Ministry is located; and the 1 March 1995 Montevideo Declaration that ratifies the former.

The negotiations are progressing, Gallardo underscored, but I believe there has to be a mutual willingness to achieve something that as I understand both our people expect: peace. However, Gallardo added that the Ecuadoran Armed Forces continue to be on alert because the circumstances so demand it but that the ongoing negotiations have produced a natural psychological easing of tensions.

Ecuadoran and Peruvian troops, which staged bloody combats between 26 January and 28 February at the border area that has not been delimited, are accepting the terms of the peace agreement, which calls for an immediate cease-fire and the demilitarization and demobilization of the conflict area later. The clashes took place in an 70-km strip of land that has not been delimited since 1942 and resulted in approximately 300 casualties on both sides. This includes dead, injured, and missing persons.

Gallardo asserted that there have been no clashes in the conflict area since the peace agreement was ratified. He added that there has been firm progress in the compliance with the Itamaraty Declaration. We must be confident that tension will continue to decrease and that the observers' objectives will be achieved, Gallardo emphasized.

A group of observers from the four guarantor countries is in areas close to the conflict zone to verify that the peace accords are being complied with. Gallardo, who warned last week that the Armed Forces will not hesitate to fight if an attempt is made to break the peace accord, revealed that Ecuador has spread out its patrols in the area to block Peru's continued infiltrations.

In a bulletin issued by the State Communications National Secretariat, Defense Minister Jose Gallardo stated that the Ecuadoran people and Armed Forces know that there can never again be aggressions that are not countered vigorously to safeguard the fatherland's honor and vital interests. The minister reported that the military establishment is adequately trained and has even prepared the people, with is civic action programs, to defend the country's good name even if we are a poor country and cannot invest in war materiel as heavily as our southern neighbor has done. Ecuador can be an invincible bastion if it maintains its will to fight and does not hesitate to fight righteously to defend its honor and rights, Gallardo stated. The Armed Forces has done its duty and defended the fatherland. It has also prudently furthered actions to stop the conflict and prevent it from escalating to a general war. We did not do this because we doubted our defense capabilities but because we have absolute respect for human life. The Ecuadoran top

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military commanders are distressed with the loss of lives and the injured people left by the conflict, he added.

The Ecuadoran defense minister said that the entire military establishment—from the highest officer to the last draftee—has a high sense of dignity. Ecuador, he said, is a country that wants peace through dialogue and is willing to reach understanding and find mechanisms to solve the problem. In this context, he reiterated that the spirit of the military establishment is the same as the one held by the Ecuadoran people. Both are willing to defend the country and have shown high professionalism in the defense of the country's territory.

The work done by the military establishment is based on respect for the people's will, he stated. With the help of all the Ecuadorans, the defense minister stated, the Armed Forces will promote important social programs to preserve the national objectives. These include programs geared to further education and protect the environment, among others.

Government To Change Envoys in Argentina, Colombia, Peru

PA2203031995 Paris AFP in Spanish 0209 GMT 21 Mar 95

[FBIS Translated Text] Quito, 20 Mar (AFP)—A Foreign Ministry spokesman announced today the Ecuadoran Government will change its ambassadors to Argentina, Colombia, Peru, and Venezuela.

Alejandro Suarez, the Foreign Ministry's cabinet chief, will be the ambassador to Peru, the spokesman said.

Remigio Davalos, political adviser of the Presidency, will be Ecuador's ambassador to Bogota, replacing Domingo Cordovez, who will head the Ecuadoran mission in Switzerland, the spokesman reported.

The spokesman added Julio Correa will leave his post as ambassador to Argentina to head the embassy in Venezuela, replacing Ximena Martinez, who will hold an important post in the Foreign Ministry.

The embassy in Argentina will be headed by Horacio Sevilla, who is Ecuador's plenipotentiary representative to Haiti and the Dominican Republic.

Country's Military Doctrine Explained

95SM0221A Quito HOY (BLANCO Y NEGRO SUPPLEMENT) in Spanish 12 Feb 95 p 2

[Article by JCC: "The Doctrine for Export"]

[FBIS Translated Text] "We have taken a creative approach to the national security problem by applying those theories that are suited to our national and international reality," a young major in the Ecuadoran Army told BLANCO Y NEGRO with revealing candor. "It is a doctrine of our own," he added.

These are days of war, and the national security doctrine created and promoted by the FFAA [Armed Forces] during these past 15 years is reflected at the battlefront.

"In the military," one of the FFAA ideologists says, "we have implemented a doctrine that is deterrent and defensive in nature. It is complemented by a total integration with the Ecuadoran people."

The concept of national defense, according to Ecuadoran military thinking, involves the entire society. The conflict on the upper Cenepa has the total support of the civilian population, which is organized into the Forces of Resistance and Civil Defense brigades.

The military doctrine emphasizes the technification, training, and professional motivation of the personnel. The object is to create soldier-citizens who can relate to the problems and solutions of civilian society but who at the same time are fearsome combatants in time of war. At the same time, the FFAA are asking civilian society to assume its share of responsibility for the nation's security.

The military spokesmen have told this newspaper that the keys to Ecuador's resistance in the present conflict are the FFAA's armed and logistic support, their knowledge of the terrain, the full utilization of their advantages, their symbiosis with the population, and the ideological reinforcement of the entire Ecuadoran society, which—for the first time in a long time—is presenting a united front as a nation.

The military do not deny that this concept of national security coincides with the concept of "war waged by an entire people."

At the international level this concept breaks with western military tradition, which is based on the U.S. concept of national security. It is viewed by the FFAA's comrades in arms on the continent as an innovative proposal, and several Latin American armies have even asked for advice in this regard.

What We Want, and What We Are Able To Do

The Ecuadoran FFAA divide the national objectives into three groups:

1. The security of the state and the nation.

2. The welfare of the people, and national development.

3. National prestige.

The permanent national objectives—which according to the spokesmen we interviewed means "what we want to achieve"—are national unity, national integration, social justice, and democracy.

On the other hand, the "military objectives"—meaning, "what we are able to achieve"—are as follows:

1. Maintenance of territorial integrity.

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2. Maintenance of a deterrent military capability.

3. Development of the nation's defense industry.

4. An integrated civilian and military society.

5. Maintenance of national sovereignty.

6. The integral development of the nation and its inhabitants.

[Box, p 2]

The Training of an Officer

The training of an officer of the Ecuadoran FFAA begins at the military academies, which have the status of a university despite the opposition of CONUEP [expansion not given].

The curriculum of the Navy, Air Force, and Army academies combines technical and humanist subjects with subjects of a strictly professional nature.

There is a concept of "integral" education that is coordinated by the educational administration of each of the branches of the FFAA. The military emphasize that they have the "best civilian teachers" in their basic academies.

The officers attend special courses for each promotion and—depending on their specialties—attend professional courses that include scholarships for study abroad.

There are optional courses in airborne combat, commando training, survival techniques, and jungle warfare, among others. The various units are also centers for study by correspondence, where the respective commandants require attendance at lectures on the most diverse subjects. Officers also have the option of attending the Army Polytechnic Academy, where they can study for a professional degree.

The Staff

To attain field officer rank (starting at lieutenant colonel or naval commander), officers must attend the War College, where for two years they will take courses in strategy that include an in-depth analysis of the national reality.

Attendance at the War College is followed by the Joint Command course.

The educational institution that officers are the most eager to attend, however, is the Institute for Higher National Studies (IAEN). Only those officers who aspire seriously to attain the rank of general are admitted to its classrooms, where their classmates include selected civilians from various institutions as well as political, business, and labor leaders. According to one of the instructors—who is also an FFAA adviser—the curriculum includes courses on military, psychosocial, political, and economic subjects that emphasize national security. Analyses are made of international, regional, and local affairs. All students must—as a degree requirement—write a thesis on their respective field of specialization.

In other words, every graduate with an advanced degree is a well-trained professional who has received a broad general cultural education.

Military's Economic Role; Investments Detailed

95SM0221B Quito HOY (BLANCO Y NEGRO SUPPLEMENT) in Spanish 12 Feb 95 pp 4-5

[Article by Alberto Acosta: "The Business War"]

[FBIS Translated Text] *The military are investing in various sectors of the economy. The essential consideration today is to avoid extending new privileges to the military as they assume their role in a democratic process of development.*

In the so-called process of modernizing the government, one of the many points in dispute has been the participation of the FFAA [Armed Forces] in industrial, agricultural, financial, and even shrimp-fishing activities.

In the opinion of the Chambers of Production, this intervention amounts to interference in areas reserved to private enterprise. The fact that the FFAA have fulfilled their mission quite efficiently despite the widespread crisis in the nation amounts virtually to a provocation in the eyes of the market-economy theorists.

A Bullet Fired at the Heart of the Free Market

It cannnot be assumed, however, that the criticism of the entrepreneurial activities of the military is based solely on ideology.

The criticism is actually based on the attraction that these entrepreneurial activities have for the private sector, which envisions lucrative business opportunities in those areas—opportunities that it does not want to lose without a struggle.

From this standpoint, certain spokespersons for these influential circles believe that the enterprises of FFAA personnel are not adapted to the normal conditions of competition and that they enjoy certain nonentrepreneurial advantages such as free floor space, no expense for protective services, cost-free vehicles, low executive salaries, military discipline, and favored treatment at public auctions.

These circles are also particularly concerned because the group of enterprises of the Army Industries Directorate (DINE) is operating as if it were a transnational conglomerate: i.e., one enterprise for the profitability of all, and all enterprises for the security of one.

Carlos Castillo—from whom we acquired the title of this article—has written that this group of enterprises constitutes "a bullet fired at the heart of the free-market theories," in that it reduces the opportunities for Ecuadoran and foreign investors to make money.

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The chorus of criticism has even included the U.S. embassy, which on several occasions has directed criticism at the military enterprises.

There are other positions on the entrepreneurial side, however, inasmuch as some investors have established a variety of relationships with military enterprises in order to obtain protection for their own activities, such as protection for the mining companies from potential invaders.

A State Within a State?

Still other segments of the population have demonstrated their concern over this new, concretely military form of state intervention that could conceivably lead to the formation of a new privileged caste that would benefit from a number of advantages.

Their concern is not limited solely to the economic sphere. They also believe that the FFAA could be setting up a sort of parallel state within a state.

On the other hand, this criticism ignores other factors that have gone unnoticed by the market-economy establishment.

The real importance of the FFAA's social services with respect to education, health, local roads, and so forth in disadvantaged areas should be emphasized, especially in view of the fact that the very governments that are so ready to satisfy the requirements of big business and foreign creditors have neither the ability—nor the desire—to engage in social work.

Special mention should also be accorded to other FFAA enterprises whose strategic importance cannot be limited solely to those production units that supply munitions or provisions for the military activities.

This is true in the case of TAME (Ecuadoran Military Air Transport), created in 1962, which is used to link distant areas that would have no air service if that function were left in private hands. TAME's activities have also played an essential role in the resistance to Peruvian aggression.

It is also useful to mention the contribution made by the Ecuadoran Petroleum Fleet (Flopec) (created in 1973) and the Ecuadoran Sea Transport (Transnave) (created in 1971) toward the creation and strengthening of the nation's maritime power, which was previously nonexistent. Moreover, these enterprises have been financed largely with resources generated by their own activities, and they have made it possible for Ecuador not to be completely dependent on foreign fleets. This has predictably aroused resentment among private shipowners.

The essential consideration today is to avoid extending new privileges as the military assume their role in a democratic national process of development, and to recognize—as Defense Minister Jose Gallardo has stated—that "there are some strategically important enterprises on which the nation's economy and security depend and which cannot be placed in foreign hands."

Table 1. Armed Forces Participation in Business Activity

Company	Stake (percentage)
Ecuador National Steel Mills	54.5
Industrial Footwear	99.1
CM Agricultural Company	60
Mining Company	93.3
Pachicutzam Mining Company	35
Pijilicem Mining Company	40
Ecuadoran Copper Company, Inc.	10.9
Ecuadoran Steel Company, Inc.	100
National and Commercial Company	99
Explosives Company of Mixed Economy	60
Military Equipment Factory	94.03
Santa Barbara Munitions Factory	100
Ecuadoran Military Products	100
National Foundries, Inc.	6
Ecuador Electronic Implements, Inc.	51
B.B. Bus Transport, Inc.	4.53
Armco Metal Products, Inc.	10.4
Mining Services Company of Mixed Economy	99
Ecuadoran Shipyards	100
Esmeralda Port Authority	100
Guayaquil Port Authority	100
Manta Port Authority	100
Puerto Bolivar Port Authority	100
Army Industries Directorate	100
Ecuadoran Aviation	100
Flopec [Ecuadoran Petroleum Fleet]	100
TAME [Ecuadoran Military Air Transport]	100
Transnave	100
Ecuador Containers, Inc.	55
Ruminahui Bank	100

Source: Senda, *El ambito empresarial del Estado ecuatoriano—Informacion y analisis, ano 1991 (The Entrepreneurial Sector of the Ecuadoran State: Data and Analysis for 1991)*, Quito, December 1991, in Acosta, Alberto, *La deuda eterna (The Everlasting Debt)*, which states that the Ruminahui Bank is not included in Senda's data.

Joint Command Chief Discusses Border Conflict

95SM0221C Quito HOY (BLANCO Y NEGRO SUPPLEMENT) in Spanish 12 Feb 95 p 6

[Interview with General Victor Manuel Bayas, Armed Forces Joint Command Chief, by JCC; place and date not given]

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[FBIS Translated Text] In these days of war, there is an atmosphere of tranquillity in the office of the chief of the FFAA [Armed Forces] Joint Command (Comaco), General Victor Manuel Bayas. We would say that as the chief of all the armed forces, he is the embodiment of the supreme military command.

Behind the camouflage uniform and stern gaze was a man who received the BLANCO Y NEGRO representative in a simple and serene manner.

[JCC] What strategy has the FFAA adopted for this conflict?

[Bayas] Comaco is the organization responsible for the planning, preparation, and direction of our armed institution in matters relating to national defense. It is in Comaco that all plans are made with respect to where the FFAA would be employed in the performance of its defense-related duties.

Under the current arrangement, Comaco has merely carried out all plans that it has for this purpose and that have been approved by the president of the Republic, who is the supreme authority in matters of national security.

In this conflict, we have activated all our forces in order to be in condition to defend our territory and repulse any attempt to invade it.

As an overall strategy, we are continuing a defensive posture at the national level for the purpose of maintaining our sovereignty.

The FFAA are aware that we have not trained a military force in order to dispatch it toward Peruvian territory. If, however, an escalation occurs all along our national border, we are capable of inflicting damage beyond that border.

[JCC] Is it a struggle of David versus Goliath?

[Bayas] In no way. You know that there are no invincible armies, especially when the man in uniform and the people are convinced that right is on their side. We do not fear a global military confrontation, because we are aware that our FFAA—despite their lesser resources—are superior in many other respects, such as in the training of their cadres and in the will to win.

[JCC] Can we rely on the weapons that we possess?

[Bayas] Of course. At this moment all of the FFAA's weapons are in excellent condition for efficient use. We are objective with regard to our equipment and the differences between the two countries. We do not put ourselves in a position of anticipating early victory, but our personnel are prepared to cope successfully with any military situation.

[JCC] What is your assessment of the war to date?

[Bayas] There has not been a total escalation. The conflict has been localized in the area of the upper Cenepa. No assets such as the air forces of either country have been employed other than sporadically. What is taking place is jungle combat in which our soldiers' professional ability is overcoming their numerical inferiority by virtue of their disposition over the terrain.

I believe that in the Cenepa sector we shall be successful in maintaining the disposition of our encampments.

[JCC] Can that disposition be damaged by the volume of fire from Peru?

[Bayas] In particular, it produces psychological effects on the combatants, but they are prepared to overcome and counteract those effects, with the result that our soldiers continue to hold their positions despite the incessant use of helicopters. That is natural behavior among men in battle.

[JCC] How does the war on the upper Cenepa compare with the Paquisha conflict?

[Bayas] The two situations are completely different. In 1981 there was a political decision to abandon the posts that were initially believed to be correctly situated. Through mediation by the observers a decision was taken to leave the posts, and some detachments—which had been formed in an attempt to obtain a better location in the sector—were bombed at a time when there were few personnel in the area.

In the present case, our effectives have not been moved forward. The sites that we are defending have been in our possession for years, including some since before 1941, as in the case of Soldado Monge.

[JCC] Is it possible that the conflict will be prolonged and intensified?

[Bayas] That is a political decision for both parties to the conflict to make. The decision as to whether the conflict will be escalated, kept localized, or terminated is not solely Ecuador's to take; it must reflect the will of both sides. For our part, we desire a solution that is negotiated on an impartial basis. If that does not occur, our country will have no other course than to deal with the absence of a corresponding desire on the other side.

This is a great personal responsibility, but we shall know how to fulfill it. I am proud of our soldiers.

Paraguay

Central Bank Introduces Money Laundering Measures

PY2103170995 Asuncion NOTICIAS in Spanish 7 Mar 95 p 20

[FBIS Translated Excerpt] The Paraguayan Central Bank [BCP]—through Resolution No. 6 dated 17 February—has eliminated bank secrecy regulations in order "to help prevent and control the laundering of money derived from drug trafficking." As of today, people making

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transactions of more than $10,000 in foreign currency will have to disclose their identities, as individuals or companies. This presupposes that some financial institutions will adapt to the new rules of the game, although knowledgeable sources predict an increase in "black market" operations. [passage omitted]

The resolution states that financial entities authorized to operate in foreign currency may not have anonymous accounts or accounts under fictitious or inexact names. These entities must obtain and keep the information regarding the true identity of persons listed as the beneficiaries of an account or beneficiaries of a deal for at least five years from the closing of the operation. [passage omitted]

Local financial circles believe the new BCP regulation will not control the flow of drug money and will only broaden the range of transactions in foreign exchange on the "black market."

The trading of dollars at banks, financial institutions, and foreign exchange houses increased to more than $83 billion [as published] since 1990—and that is only what is officially registered at the BCP.

President Wasmosy Views Ties With East Europe

PY2003183795 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 2350 GMT 16 Mar 95

[Interview with President Juan Carlos Wasmosy in Bucharest by Benajamin Fernandez Bogado, Cerro Cora Sistema Nacional de Television Network anchorman and special correspondent for Wasmosy's European trip; date not given]

[FBIS Translated Text] [Fernandez] The topics regarding relations between Paraguay and Romania and the importance of the summit on social development that was held in Copenhagen were evaluated during an exclusive talk that we had with President Juan Carlos Wasmosy.

[Wasmosy] I have listened to a lot of opinions. Many people have said that it was a question of much ado about nothing, but I believe that for the first time the topic has been put on an international agenda.

This is important because this is a global problem, because I was able to.... [pauses] When I had the honor of presiding over the summit for more than 2 and a half hours during the first session of this presidential meeting, I had the opportunity of listening to several presidents and heads of state. They were from rich countries, poor countries, and medium-sized countries. The problem of poverty is an overall problem, and unemployment is even more serious in certain countries.

Therefore, the third point, pertaining to social disintegration.... [pauses] They are the three topics that have really appeared on the international agenda.

And a solution must be found and applied in an overall manner among all of us. We, for our part, when it was our turn to address the conference, have expounded and spoke in accordance with our government program, which is not just an electoral program because it is a government program. We noted that we are trying to seek a means to remedy poverty in our country through education, through training, through the wooing of investment that will generate jobs, and thus alleviate this heavy burden that is affecting the economies of all countries.

[Fernandez] You are now visiting Romania, a country that has not received a Latin American head of state for the past 20 years. It is a region no Paraguayan president has visited for many years, not to say since time immemorial. A Paraguayan president has never visited this region.

The question is: What can the president of the Republic do in a region of this type? What are the advantages of having visited Bucharest?

[Wasmosy] Well, I am encouraged by the same spirit in wanting to open this bioceanic route that will unite the Atlantic with the Pacific. We are a Mediterranean country, and that means we must open ourselves to the world.

And, this is most probably why no South American president has come here to open, shall we say, this market that is Eastern Europe, which is in a situation, shall we say, that is approximately the same as ours, as it is consolidating its democratic process and reforming its economic structures the same as we are doing. It is to this potential market that we have acted very well by coming here, due to the welcome we have received, the acceptance of all the economic, social, and political conditions, the security for investment that we have promised here. And, as they say in the sphere of boxing: He who hits first hits twice, because we have received and listened to thousands of offers of joint ventures [preceding two words in English] from businessmen who have accompanied us.

Thus, this opening toward Eastern Europe is being done toward a market that has not yet been exploited by any South American country. And, because I have been the first Paraguayan president and the first South American president to visit this area for more than 20 years gives us as reason the fact that this is a market no one has come to exploit.

[Fernandez] The topic of Paraguay within the Mercosur [Common Market of the South] is something that you use a lot to demonstrate the potential of the continent within this regional pact that was signed in Asuncion. Mr. President, what is the degree of interest in Paraguay as a country, our country, and the Mercosur as a true great regional market in that common America?

[Wasmosy] In the first place, even though I have to highlight the comparative advantages that our country is

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offering, one must not forget that I am the pro-tempore of the Mercosur as a whole. Therefore, I have to speak about the Mercosur as a whole, in other words, about the four countries, and I have done this in all the countries that I have visited. And, I am sad to say that we have really done very little work to make known the reality of Mercosur, its potential, and the prospects that it has to offer to the people of Eastern Europe and also to Western Europe, the prospects of this market that is called Mercosur.

[Fernandez] There is a lot of interest, Mr. President?

[Wasmosy] We have observed, during these meetings with more than 100 businessmen, that many of them have visited Asuncion together with Prime Minister [Nicolae] Vacaroiu, in addition to having visited Argentina and Brazil, and they are often looking for more from us than we are seeking from them. And we have observed that there is a willingness for joint ventures [preceding two words in English] in the forestry sector, where they have a very advanced technology, but seek the quality and quantity of lumber that we have in Paraguay.

Therefore, we have signed agreements of complementation, not only in the economic sector, but also in the cultural sector and pertaining to technical assistance, and for the dispatch of professionals to Paraguay. Because we do not have the funds for everyone to travel here, they are going to send technicians in the leather and lumber sectors and also technicians for industries that use very large amounts of electricity. Furthermore, we have considered a draft agreement, which has not yet been signed, in which they will sell us oil at the government to government level at competitive prices.

[Fernandez] Mr. President, the Final Declaration also envisions the possibility of establishing embassies here in Bucharest and in Asuncion.

[Wasmosy] They have promised to open an embassy in Asuncion. We have an ambassador, architect [Carlos] Peyrat, who is based in Austria and is concurrently ambassador to Romania.

As in other countries, we do not have the necessary funds to maintain embassies in all countries.

[Fernandez] Is there anything that had a special impact on you during your visit here to Romania—something beyond the realm of the formalities about which you are speaking, and with very good reason, because they are important reasons when one has to explain a visit. Is there perhaps an anecdote, something important that caught your attention during you visit to Romania?

[Wasmosy] We have, we are a country.... [pauses] We are countries that have Latin origins. Therefore, communication is so much easier. And we have also seen marvels in the areas of paintings, artistic works, etc. that contrast very much with what Communism proclaimed in the past, when it preached that every one of us had to be equal, and yet here we have seen palaces, and we have seen many persons who are now living in subsidized housing because they were obliged to give up their homes, for that was the humor of the president of those times.

[Fernandez] Mr. President, two topics. I know that during your trips you have insisted upon centering attention on the fact that the Paraguayan president's trips abroad have their costs, and they imply a large concentration of effort. But, you cannot be unaware of two events in Paraguay, the rumors about a confrontation between two generals of the Armed Forces. I would also like to know your opinion about the many rumors that surface, always coinciding with your trips abroad.

[Wasmosy] Well, first and foremost, I can tell you that I have absolute trust in both [Army Commander] General [Lino Cesar] Oviedo and [Military Aeronautics Commander] General [Cesar] Cramer, so it has never ever crossed my mind that there might be a confrontation between them. What has seemingly happened was that as people are not very well-informed whenever we travel abroad, they cook up rumors. Just imagine—and incidentally, this is quite normal—we have decided to establish different dates for the in-processing and discharging of conscript soldiers from all barracks—which was already done in the Army, and especially in the Cavalry—so as to have all the conscripts who have to be discharged and those who have to be taken in or in-processed together so that the Army command can assign them to their corresponding tasks. As regards the Air Force, it is common knowledge that we are transferring.... [pauses] Within our means, because all the expenses incurred by the Air Force in Mariscal Estigarribia [seat of the 3d Army Corps, in the Chaco region] have been transferred to the Dinac [National Directorate of Civil Aeronautics]. Therefore, Dinac has to reimburse the money Mariscal Estigarribia is managing at present, and we are going to use those resources to build some hangars in Ayolas so as to leave room for private companies to take over from the former monopoly Paraguayan Airlines used to have. Hence, those are just rumors. I am not concerned in the least; I have absolute trust in Generals Oviedo and Cramer. I consider them to be very conscientious persons. I would once again like to tell all those politicians who want to sow the seeds of discord and undermine my administration that the members of the Armed Forces are the ones who have best adjusted to changes. This is why I am proud to defend them and give them their due.

[Fernandez] Changing the subject, Mr. President, I would like to discuss the social question—the demonstration staged by peasants precisely when the social development summit was being held in Copenhagen. There are many common issues between them, like poverty, the lack of opportunity for sectors that have been reduced to begging because the international markets do not pay prices that are high enough to cover their expenses. There is no adequate income distribution policy in most countries. What is your assessment of

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these social disturbances? Do you consider them to be an expression against your government, or a generalized concern? Do you share these social grievances? What is your opinion of these social claims?

[Wasmosy] I am going to repeat what I said when the Inter-American Development Bank president called upon me to say some words to pay homage to [former Chilean] President [Patricio] Aylwin on the occasion of the presentation of a study made together with the ECLA [Economic Commission for Latin America] and [word indistinct]. This is a global problem. The problem lies in the fact that never before have countries lived in such freedom, never before have governments been so democratic in nearly the entire world. And yet, the paradox is that social problems seem to crop up more than ever before. Nevertheless, a solution must be found to these problems and we are wholly committed to overcoming this problem. You may rest assured that we will indeed find a solution. This is why we are visiting foreign countries despite all the criticism we have received. Investments will not only come from our country, where entrepreneurs—and I am sorry to say so—have not yet awakened to the fact that they must take advantage of all the possibilities Mercosur presents, although these advantages may turn into threats if they do not react in time. We must also attract foreign investors by showing them the comparative advantages we have to offer, because if investments are made in our country, new jobs will be created, and that in turn will help to palliate this evil called poverty. And I repeat, we are going to combat poverty by creating new jobs, through education and, in particular, training.

[Fernandez] A last question, Mr. President. Hungary is a country very close to your heart. What does this visit to Hungary mean to you?

[Wasmosy] It is really a historic visit. I had never thought I would ever visit the land of my forefathers in my capacity as president of the Republic. I would like to thank the authorities for all their many attentions. I know that they have prepared a very busy agenda for me, and especially with great affection. Let us hope that relations with Hungary, which started with some fearless Hungarians who visited the Americas, continue at present with exchanges through joint ventures so that we can exchange our knowledge and wisdom and offer our value-added raw materials to this huge Eastern European market, the potential of which is still unknown to many people.

[Fernandez] We leave Romania after some days in which Paraguay has tried to further relations with this country. The Paraguayan head of state and his entourage are already in Hungary, where they will visit several cities that used to have very close relations with Paraguay and that will seemingly try to revive these ties. We leave Romania, a growing nation with problems and great challenges, a nation that shares many similarities with Paraguay, a nation that is awakening after a long slumber, a long oppression, and a deep longing for living in liberty, a nation that is beginning to define itself, as the president of the House of the Americas has said.

President Wasmosy is now in Budapest, capital of Hungary, the final leg of his tour of Europe that started with the social development summit in Copenhagen, Denmark.

Correction to Wasmosy Dismisses Possibility of Coup

PY1703160195

The following correction pertains to the item headlined "Wasmosy Dismisses Possibility of Coup," published in the 17 March Latin America DAILY REPORT, pages 36-37:

Page 36, column two, paragraph four, only sentence, reads ..."The Armed Forces members are the ones who have best adjusted to changes." [new paragraph]

Wasmosy said: "We... (rewording for clarity)

Peru

Military: Ecuador Buying Arms From Bulgaria

PY2203032895 Lima LA REPUBLICA in Spanish 12 Mar 95 p 17

[FBIS Translated Text] Sources at the Peruvian Joint Command have reported that high-ranking Ecuadoran officers have left for Bulgaria to purchase new and modern war materiel, revealing that the Ecuadoran Armed Forces persist in their apparently endless arms race.

General Cesar Velasquez, Colonel Carlos Salazar, and three weapons experts are now in the Bulgarian capital Sofia to conclude the operations to purchase 200 Strella anti-aircraft missiles and 100 IGLA anti-aircraft missiles.

The approximate cost of each Strella missile is $30,000, while the IGLA missiles go for $140,000 each. The total cost of the war materiel thus amounts to $20 million.

A business organization of the Ecuadoran Armed Forces is carrying out negotiations with a Bulgarian intermediary company called "Kintex Share Holding." The current Ecuadoran tactics are apparently to purchase weapons from the other side of the world, and not from this part of the hemisphere, due to recent events resulting from the purchase of weapons from both Chile and Argentina, countries that are guarantors of the Rio de Janeiro Protocol.

Nevertheless, the Ecuadoreans have also resorted to weapons traffickers—called the "dogs of war"—ranging from Israelis to Panamanians.

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Commentator Evaluates Conflict With Ecuador

PY2103193595 Lima EL COMERCIO in Spanish 11 Mar 95 p B2

[Article by Hugo Guerra Arteaga: "The Risks of the Ecuadoran Position"]

[FBIS Translated Text] When everything seemed to indicate that the demilitarization process ordered by the Itamaraty Peace Declaration was in full swing, Ecuador again began maneuvers in an attempt to create confusion. This should be rejected not only by Peru, but also by the guarantors of the Rio de Janeiro Protocol and the entire international community.

The agreement reached in the Itamaraty document, and reiterated in the Montevideo Declaration, explains what must be done to consolidate the cease-fire, formally end hostilities, demilitarize the border region where the fighting took place, and concentrate the troops in Coangos [Ecuador] and in PV1 [Watch Post 1, in Peru].

It states that the observers should act in three initial phases: first, an advanced mission—which already fulfilled its task more than a week ago; second, a mission to establish the security level—which is currently deployed in the two countries; and a third mission of 50 experts—which must be deployed to the points of conflict to verify the real situation.

For the third mission to operate, it was essential for Peru and Ecuador to sign a document on the definition of procedures.

It is believed that this instrument establishes the sites where the observers will be deployed, the specific functions they will fulfill, the facilities and securities offered by the two countries, and the adequate terms for their task, etc.

On 9 March, Quito HOY published a false report that Peru was using delaying tactics to obstruct the definition of procedures.

The real situation was very different: Peru had instructed its ambassador ahead of time to sign the document, while Ecuadoran officials preferred to obstruct the process.

The Peruvian Foreign Ministry released an official document which states: "The Peruvian Government alerts international public opinion to the somewhat casual attitude of Ecuadoran officials, who, from the very beginning, have jeopardized the total fulfillment of the Itamaraty Peace Declaration, the Declaration of the Guarantor Countries, and the Montevideo Declaration."

Meanwhile, in an attitude that can be called incoherent, after obstructing a trip by observers and even forcing a postponement of a meeting between representatives of the guarantors and the Peruvian and Ecuadoran ambassadors, the Ecuadoran foreign minister dared to label as "displeasing" a delay in the arrival of the mission representing Argentina, Brazil, Chile, and the United States.

That problem was finally overcome with the signing of the document on the afternoon of 10 March, with an observation that Peru never obstructed the process.

The Ecuadoran position is not only incompatible with the Peruvian pacifist position but also with the efforts of the guarantors of the 1942 Rio de Janeiro Protocol.

In public statements this week, Ecuadoran President Duran-Ballen again used nasty and offensive remarks against our country and President Alberto Fujimori when, for example, he invited Fujimori "to eat ceviche [fish marinated in lime juice] in Tihuinza."

Ecuadoran Defense Minister Gallardo has insisted many times that his forces will not leave Base Sur, Cueva de los Tayos, and Tihuinza. This, beyond being a rhetorical posture, is an example of not wanting to completely fulfill the Itamaraty Peace Agreement.

This is not all, Duran-Ballen announced that during his upcoming trip to the Vatican, he will try to get some kind of undefined "mediation" by the Catholic Church in the border conflict.

This makes no sense at all. As has been said so many times, there is no need for any mediation or the arbitration of a third party. The only thing that must be enforced is a rule contained in the Peace, Friendship, and Border Treaty freely signed 53 years ago. Any other action must be restricted to acts of goodwill, like the recent visit to Lima and Quito of the personal envoy of Pope John Paul II.

Peru publicly denounced this week at the OAS and the United Nations the systematic violation of human rights of Peruvians living in Ecuador.

There is enough evidence, including the most recent attack and torture of Peruvian Consul in Machala Eduardo Gonzalez Mantilla by people wearing "military uniforms."

It is also known that 64 Peruvians are detained under false charges of espionage, and that the Ecuadoran military and security forces are responsible for the 11 who are missing. Despite reiterated protests by our Foreign Ministry, the Ecuadoran ambassador in Lima has not answered; not even to explain the situation of those who suffer the attacks. Ecuador has still not cleared the anti-personnel mines which it planted on the border between Huaquillas and Aguas Verdes, and also planted indiscriminately at the source of the Peruvian Cenepa River in violation of international regulations.

Ecuador deliberately continues to complicate a case that is believed to have already found its diplomatic and peaceful solution.

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Thus, the question arises: are Ecuadoran Government and military leaders really interested in reaching a dignified peace agreement as advocated in the Itamaraty document?

People are aware that Ecuador with its foolish position has repeatedly obstructed the agreement reached. This foolishness can also be seen in the militarist and belligerent position of the Ecuadorans as shown by the purchase of an absurd amount of military weapons.

It has been officially reported in Buenos Aires that the shipment of Argentine weapons was to fulfill a Venezuelan order, but via a triangular operation the weapons went to Ecuador. The comment in Buenos Aires is that there was "smuggling."

From our point of view, this explanation is unsatisfactory because, among other things, it is very remote that a plane carrying a dangerous cargo could change course in flight without the official authorization of Argentine Government or military leaders.

We believe this is a very delicate issue. It should not be forgotten that Argentina is a guarantor of the 1942 Rio de Janeiro Protocol. Also, during the Malvinas war, Peru not only supported Argentina politically and diplomatically, it also provided three Mirage fighters and Exocet missiles in an act that was interpreted as a gesture of friendship and identification with a Latin American cause.

It is now hoped that the Argentine Government of President Carlos Menem will fulfill its formal position and not supply weapons to either of the parties. Of course, Peruvians are awaiting the result of the investigation and to learn the identity of the "smugglers."

All reports from Ecuador indicate that its people are paying a high cost for this war adventure headed by the government of President Duran-Ballen.

The economic crisis resulting from a war-mongering policy will without doubt continue to increase as the Ecuadoran military leaders continue to purchase sophisticated and unnecessary weapons which can only be paid for by sacrificing development in a nation that is already poor.

But the risk is not only for Ecuador. Experts have warned that by increasing its already large military arsenal, Ecuador was reportedly preparing for open and total war with Peru.

If this is the case, if a program of excessive military purchases continues, it would not be illogical to think that a global arms race may be unleashed in Latin America. One need not be psychic to foresee the tremendous economic, social, and geopolitical impact an arms race would have.

The Ecuadoran expansionist policy must be stopped immediately. Ecuador must be forced to abide by the agreement reached in the Itamaraty document that was reiterated in the Montevideo declaration.

If not, the Latin American community must look at Ecuador as a threat that goes behind this stupid border conflict with Peru.

Opposition Calls 2 Generals 'Scapegoats'

95SM0248B (Internet) Peru DESCO Gopher in Spanish 10 Mar 95

[From Resumen Semanal 1-7 Mar]

[FBIS Translated Text] On 6 March, the opposition asked the investigative body of the Democratic Constituent Congress not only to undertake an analysis in depth of the case of the two generals accused of negligence in the war with Ecuador, but also to establish the degree of responsibility for conduct on the domestic, propaganda, and diplomatic fronts. "The chain cannot be broken at the weakest link, but instead, everything must be investigated," Congressman Henry Pease (MDI [Democratic Leftist Movement]) stated. He also maintained that there are hidden reasons for trying to make Generals Vladimiro Lopez Trigoso and Carlos Grigoletto "scapegoats" for the mistakes that well-known personalities, Javier Perez de Cuellar among them, have denounced.

"Serious, very serious." This was how Ernesto Gamarra (FIM [Independent Front for Moralization]) described the situation of Generals Lopez Trigoso and Grigoletto Cortijo, because as he understands it, it is a question of spreading a smoke screen to protect the man really responsible—that is to say, the general in command of the Army and head of the Joint Command of the Armed Forces, General Hermoza Rios. [LA REPUBLICA 7 Mar 95]

In this connection, LA REPUBLICA [7 Mar 95] reported: "A tense atmosphere of uncertainty prevails at the El Milagro barracks as a result of the serious charges recently made against General Vladimiro Lopez Trigoso, former commander of the Fifth Jungle Infantry Division. He is accused of allowing the infiltration of Ecuadoran troops into Peruvian territory, and of being responsible for the inadequate supply of foodstuffs for the soldiers on the front lines in the border area. To this is added the announcement carried by the Radio Programs of Peru dispatch about the possibility that the Army high command, commissioned and noncommissioned officers, and ranks might transfer allegiance to General Lopez Trigoso. General Luis Perez Documet, commander of the Sixth Military Region, completed his fourth day of internment in the PV1 on 6 March."

General Carlos Mauricio (Ret) stated, for his part, that "telling the truth" has caused problems for General Vladimiro Lopez Trigoso, who until a few days ago was directing the military operations in the conflict with Ecuador as commander of the Fifth Jungle Infantry

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Division. This unit was later transferred to the brand-new Sixth Military Region under the command of General Luis Perez Documet. Mauricio commented that General Lopez Trigoso contradicted the chief of state when he said that Peruvian troops had gained control only of the heights overlooking the Tiwinza post. This contrasted with the president's statement to the effect that total recovery of the objective had been achieved. With regard to the questions about the lack of timely supplies of food and medicines to the Peruvian combatants on the battlefront, Mauricio said that "in the Army, the logistic effort comes from the rear guard. And if there were problems, it was because the logistics commander did not provide the theater of operations with supplies in timely fashion. I know Lopez Trigoso, and I know how he loves his troops. He was my battalion commander in Ilave (Puno), and I do not believe he has changed, much less in a war situation," he commented. "One cannot accuse a man who has given his life, who forced the Ecuadorans out of Cuevas de los Tayos, out of South Base, and who was forcing them out of Tiwinza." [Most dailies 7 Mar 95]

Mirko Lauer expressed the following view. "The fact that negligence is prominent among the charges against Lopez Trigoso makes one think immediately of Fujimori, who pursued the diplomatic and geopolitical strategy (including the nefarious 1991 'gentleman's agreement') with regard to Ecuador on his own, and of the intelligence services that should have provided prompt information about the magnitude of our neighbor's preparations for war, which were notorious. On the other hand, the speed with which the government has begun a witchhunt to find those responsible is also surprising, since to date it has expressed nothing but satisfaction with the military and diplomatic results of the conflict. Thus the government is congratulating itself as if it had won all along the line, while beginning to look for someone to blame as if we had lost." [LA REPUBLICA 7 Mar 95]

Report Blames Cost of War for Drop in Support

95SM0248C (Internet) Peru DESCO Gopher in Spanish 10 Mar 95

[From Resumen Semanal 1-7 Mar]

[FBIS Translated Text] EL MUNDO (6 Mar 95) reported as follows: "A military intelligence document released on Friday, 3 March, says that popular support for the government's conduct of the conflict with Ecuador has dropped by at least 16 percent in recent weeks. Thus from an initial support level of 76 percent for government actions, specifically those of President Fujimori, reported at the beginning of February, the level has dropped to 59 percent, as reported during the last week of that month. The intelligence analysis gives a detailed description of the reasons behind this decline in the credibility and popularity of the regime as a result of its actions in the military and diplomatic conflict with the aggressor country. The document says, for example, that the loss of support for the executive branch is due to four factors:

The high social cost of the war. In other words, it has resulted in a number of casualties (soldiers and officers killed, wounded, or missing) on the Peruvian side.

The lack of precise and timely information from the government.

The excessive material cost of the conflict, which has caused Peru to lose five helicopters and four airplanes. This development has revealed to the country how obsolete our war materiel is.

The unexpected duration of the conflict (35 days), when the majority belief was that it would not last more than a week, culminating in an overwhelming victory, like that in 1981. And also that three frontier posts—including Falso Paquisha—in the Condor Mountain Range would be recovered.

Nugent Reports 12.4 Million To Vote in Elections

PY2103183295 Lima EL COMERCIO in Spanish 11 Mar 95 p A4

[FBIS Translated Text] A total of 12,417,946 voters will vote nationwide in the upcoming 9 April elections for president and 120 legislators for the 1995-2000 legislative term.

National Election Board [JNE] President Ricardo Nugent reported the exact number of people who will vote in the next elections. He also stated that a total of 70,459 voting stations will be established nationwide.

There are a total of 149,627 Peruvian citizens eligible to vote abroad. All of them will have access to the 971 voting stations to be established in various countries on five continents.

Nugent said that last-minute details are being arranged for 9 April so that everything will be ready for that date. He denied, therefore, any possibility of postponing the elections.

He said that the elections will be held normally even in regions on the border with Ecuador. Nugent said: "Those who had temporarily left Tumbes have returned, and in Bagua everything is normal. There is no need to worry."

Moreover, Nugent reported that the JNE has rejected charges raised by Mrs. Susana Higuchi on alleged irregularities in the registration of five legislative lists.

He said: "There was no mistake. It is Mrs. Higuchi who is wrong when she reported inexact information. There were no irregularities because all the legislative lists have been registered with the Electoral Registry."

Nugent made this statement to the press after delivering the proper credentials to 47 supervisors who will represent the JNE at the provincial electoral courts nationwide.

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These previously trained supervisors will be responsible for delivering and picking up election material and for the "fast recount" of the votes, which will allow us to obtain final results expeditiously.

Regarding the ill use of resources alloted for the acquisition of election material, Nugent asserted that a high-ranking commission will be appointed to conduct an exhaustive investigation of the issue to find those responsible.

He said that the issue has been submitted before the comptroller's office so that a proper investigation may be conducted. He said: "No one has been removed. There have been suspensions of officials in positions of trust, but this does not imply any disciplinary measures have been enforced. This is just a preliminary investigation."

Majority of Parties To Disappear After Elections

PY2103193895 Madrid EFE in Spanish 1615 GMT 17 Mar 95

[FBIS Translated Text] Lima, 17 Mar (EFE)—The majority of existing Peruvian political parties will disappear after the 9 April elections. Only four political parties will survive because those that obtain less than 5 percent of the votes in the elections will be erased from the electoral registry.

According to recent polls, the parties that will survive are the ruling coalition Change 90-New Majority, the Union for Peru Movement, the Democratic Coordinating Movement-Peru Viable Nation [Code-Peru Pais Posible], and the Popular Christian Party.

According to the Apoyo polling company, the ruling alliance, which is backing the reelection of incumbent President Alberto Fujimori, will obtain 46 percent of the votes. Moreover, the CPI polling company reports that Fujimori will obtain 54.5 percent and IMASEN reports he will get 46.6 percent.

Apoyo and CPI state that former UN Secretary General Javier Perez de Cuellar, from the Union for Peru Movement, will obtain 18 percent of the votes, while IMASEN states that he will obtain 21.8 percent.

According to Apoyo, Alejandro Toledo, Code-Peru Viable Nation candidate, will obtain 7 percent of the votes; CPI, however, reports that he will obtain 4.3 percent. If the latter forecast is correct, it is a fact that this party will also disappear.

The Christian Popular Party (PPC) will survive because its presidential candidate, Lourdes Flores, preferred to run for congress convinced that she had no chance in the presidential race.

Traditional parties, such as the American Popular Revolutionary Alliance (APRA) led by former president Alan Garcia; Popular Action, of the center right, which is headed by former President Fernando Belaunde Terry; and United Left will be reduced to nothing because, according to the polls, they will only obtain 2 to 3 percent of the votes.

A total of 17 political parties will be left out of the electoral registry. If they want to be included in the National Election Board, they will have to submit 100,000 signatures to register themselves.

This is the current situation in the Peruvian election campaign, the shortest ever because it was also interrupted for five weeks as a result of the border conflict with Ecuador.

There is, however, one disturbing factor that intends to disrupt the elections: the Shining Path [SL] terrorist group.

SL has always tried to boycott elections. It first appeared on 17 May 1980, when terrorists destroyed electoral material in a town in Chuschi, in Ayacucho Department.

Elections were held the following day after 12 years of military government and Fernando Belaunde, who was ousted in 1968, was reelected.

SL does not inspire, however, the fear it instilled years ago; this has been the case following the arrest, in 1992, of its creator and leader Abimael Guzman, who has been sentenced to life imprisonment.

Although Guzman, after his arrest, has promoted peace with the government, Oscar Ramirez Durand, aka "Feliciano," has decided to continue the war. According to government sources, it seems that Ramirez Durand lacks both the means and the men to reinstate the violence of 1992, when SL attacks, particularly in Lima, reached the level of maximum violence.

Terrorists have particularly attacked the northern Peruvian jungle area. Fifteen SL members and five Army personnel were killed in one of the most recent attacks.

A total of 12 million Peruvians will vote on 9 April. This will be the fourth consecutive elections held without any interference. In 1993, Peru adopted a new Consitution after President Fujimori dissolved congress in 1992 in a coup d'etat he headed with the support of the military.

The polls indicate that Fujimori is currently the favorite to win the elections.

Notes From Election Campaign 1-7 Mar

95SM0248A (Internet) Peru DESCO Gopher in Spanish 10 Mar 95

[From Resumen Semanal 1-7 Mar]

[FBIS Translated Text]

JPC Support to Small Business Reported

On 4 March Javier Perez de Cuellar [JPC] said in Ayacucho that if he is elected, he will use $500 million of

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the $6 billion Peru has in international reserves to provide credit on easy terms for young people establishing small businesses or for farmers. He made this offer in view of the demand of the leaders in Ayacucho, who explained that the few young people who complete their higher education find no job opportunities. They also complained about the lack of attention to the problem of malnutrition in school children. Later, JPC went on to say that "Peru owes a historical debt to Ayacucho, the department hardest hit by violence," and he made public a "Union for Peru Letter of Commitment" to the people of Ayacucho. In this document, which contains eight basic points, Perez de Cuellar and the Union for Peru promise that if they win government power, they will put an emergency plan for the development of this department into operation on a priority basis. [Most dailies 5 Mar 95]

Change 90-NM Plans 'No New Platform'

On 5 March in Huancayo, Victor Joy Way, the second vice president of the Congress, announced that the Change 90 [C90]-New Majority [NM] slate of candidates for the parliament will ratify the 1993 Constitution propositions, and as a result it will not present any government program [GESTION 6 Mar 95]. The following day, President Alberto Fujimori, speaking to his candidates for the next Congress, confirmed that no government platform will be announced. He said that the best way to wage the campaign prior to the coming elections is to emphasize the successes achieved in the five years of his government administration. Fujimori was meeting with his candidates for the second time since the registration of the parliamentary slate, although on this occasion, the gathering, which was held at the Loreto Club in San Borja, was strictly private. It was established at the meeting that the work of coordinating the C90-NM campaign will be the responsibility of parliamentarians Martha Chavez and Victor Joy Way, who head the slate. [Most dailies 7 Mar 95]

Toledo Calls Declarations 'Fragile Promises'

Alejandro Toledo, the CODE [Democratic Convergence]-Possible Country presidential candidate, has demanded that the government of President Fujimori achieve total victory over the invading Ecuadoran forces. He charged that the present bellicose conflict "is being conducted on the basis of electoral motivations, and not effective military criteria." In a statement that was televised, Toledo said that Fujimori misrepresented the truth when he stated that the Tiwinza post had been taken back. "The president could not hoist the Peruvian flag there, not even at the South Base, as he did in Cueva de los Tayos. He was unable to make Ecuador respect the cease-fire he had decreed, nor was he able to force the enemy to concentrate troop strength on its own territory." In addition, Toledo said, "There are hundreds of Ecuadoran troops in Peruvian territory today" and "the Itamaraty and Montevideo peace agreements can only be fragile promises." On the other hand, he insisted that President Fujimori is using this undeclared war "to carry water to his electoral mill. This damages the credibility of the chief of state in the eyes of the world and blurs the transparency of the elections." He added that during his tour of the El Valor Airport, as well as at the El Milagro military base and in Bagua, "I discovered how noxious presidential reelection can be—because this war is being conducted on the basis of electoral motivations." [Most dailies 3 Mar 95]

National Council of Judiciary Established

95SM0248D (Internet) Peru DESCO Gopher in Spanish 10 Mar 95

[From Resumen Semanal 1-7 Mar]

[FBIS Translated Text] Five plenipotentiary judges, with sufficient autonomy and independence and the capability to appoint, supervise, and remove magistrates on all levels, will constitute the National Council of the Magistracy [CNM] as of 1 March. These judges, headed by their president, Carlos Montoya Anguerry, will be subject exclusively to the mandates of the Constitution and the laws. After they have been installed and sworn in on 1 March at the Lima Bar Association [CAL], the members of the Council will hear all charges made against judges and prosecutors, and they may initiate investigations when questions arise. The members of the National Council of the Magistracy include Roger Rodriguez Iturry, vice president; Enrique Riva Lopez; Florencio Mixan Mass; and Carlos Parodi Remon. Within the next 15 days, they will be joined by two other appointees. [GESTION, EL MUNDO 2 Mar 95]

Economic Notes From Media 1-7 Mar

95SM0248E (Internet) Peru DESCO Gopher in Spanish 10 Mar 95

[From Resumen Semanal 1-7 Mar]

[FBIS Translated Text]

February Inflation Rate of 1.1% Reported

The head of the National Institute of Statistics and Information Science [INEI], Felix Murillo, has denied that the conflict with Ecuador affected the development of inflation in February or the overall productive activity of the country. "In February, the consumer price index [IPC] for Metropolitan Lima showed an increase of 1.1 percent, while the wholesale price index [IPM] showed an increase of 1.3 percent," he said. He added that the inflation in that month was lower than that for the comparable period in 1994, when it was 1.8 percent. Inflation for the past 12 months came to 12.96 percent.

On the other hand, he stated that in the areas near the zone of conflict, price increases did occur. "The first reports tell us that in Chachapoyas, some products, such as bottled oil and sugar, saw price increases. For these two products, they were 5.6 percent and 15 percent,

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respectively. Meanwhile, there were no increases in the prices of noodles, chicken, and rice." With regard to Tumbes, he said that the prices of some products also showed increases there. "This was true of oil, which went up 17 percent, while rice went up 11 percent and noodles 14 percent. The prices for some products, on the other hand, declined due to oversupply," he said. [Most dailies 2 Mar 95]

GNP Rise in January Reported

According to Felix Murillo, an increase of 11 percent was seen in overall production in January of this year, as compared with the total for January 1994. He said that there were higher productive levels in all of the sectors. The fishing and construction sectors stood out, with increases of 37.5 percent and 32.3 percent, respectively. Murillo said that market developments were up by 11.6 percent. The recovery was due to the better placement of domestic and imported products, as well as price stability, both of which are factors that lead to increased demand. Farm activity showed a positive variation of 11.2 percent because of favorable weather conditions that allowed the harvest to develop. As to mining, the head of the INEI said that there was an increase of 6.9 percent over the figure for January 1994. In January, the manufacturing sector reflected growth of 14.1 percent over the figure for the same month in 1994, according to the Ministry of Industry. The sectorial index of physical volume [IVF] reached the level of 123.3 in that month. On the other hand, the level of MITINCI [Ministry of Industry, Tourism, Integration, and International Trade Negotiations] factory index, which excludes the fish-processing, oil-refining, and nonferrous metals industries, showed an increase of 10.9 percent, to a level of 105.6, surpassing the highest level reached in 1994 (120.4, in November). [Most dailies 2 Mar 95]

1994 Social Development Projects: $170 Million

The National Compensation and Social Development Fund (FONCODES) approved 4,760 projects in 1994 for a total of $170.9 million. As for types of investment, that for social infrastructure, in which 3,678 projects were approved for a total equivalent to $92 million, stands out. This figure represents 54 percent of the total allocations approved, with the education infrastructure (construction and rehabilitation) receiving the largest sums. The second investment line was that for the economic infrastructure, for which the sum of $39 million was allocated during the period in question (23 percent of the total), with the farm infrastructure projects being especially favored, with $23 million. Next in importance after the first two was the social assistance line ($27 million), in which connection the development of the nutrition program received priority. The productive development line ($13 million) ranked fourth, with the approval of 32 farm projects and six for the support of micro- and small businesses. The report explained that the Foncodes [National Compensation and Social Development Fund] allocated 41.9 percent of the total investment, or in other words, $58 million, to the departments located in the "very poor" category (Huancavelica, Ayacucho, Apurimac, Cajamarca, Huanuco, Amazonas, Loreto, and Cusco). The projects carried out by the Foncodes in 1994 made it possible to generate 7.1 million labor days, the equivalent of 23,645 monthly job positions. [GESTION 5 Mar 95]

$100 Million Loan From IDB Requested

On 1 March, the Ministry of Economy and Finance and the Interamerican Development Bank [IDB] signed a loan contract for $100 million for the financing of the Multisectorial Credit Program. Payment of 30 percent of the total will be made within the next two weeks, and the balance will be paid in later installments. The total cost of the program is $167 million, of which $100 million will be provided by the IDB, and the remaining $67 million will come from the Cofide [Financial Development Corporation] and other financial institutions. The Cofide, in its capacity as a secondary bank, will channel and apply the program resources to the private sector. The loan is being granted for a period of 10 years, plus a grace period of five years, and at an annual international interest rate of 7.27 percent—that is to say, the Libor rate, based on the quotation as of 1 March, plus 0.5 percent. [EL COMERCIO 2 Mar 95]

$152 Million Trade Deficit Reported

As is now traditional, our nation's trade balance showed a deficit in December 1994. Imports came to a total of $152 million more than the figure for exports. According to information obtained from the Central Reserve Bank, the deficit is the result of having had exports with a total value of $428 million in the month in question, while the total for imports during the same period came to $580 million. [EL COMERCIO 2 Mar 95]

Editorial Assesses U.S. Certification in Antidrug Fight

PY2203030395 Lima EXPRESO in Spanish 11 Mar 95 p A30

[Editorial: "Mutual Certification"]

[FBIS Translated Text] The United States feels that Peru has not been cooperating sufficiently in the antidrug fight. Nevertheless, for reasons of "vital national interest," it has granted to our country the "certification" that we do fight drug trafficking. What happens is that a country that does not receive this certification loses U.S. "aid" in facing that illegal traffic, as well as a favorable U.S. vote for its projects at the World Bank and the IDB [Inter-American Development Bank].

Peru should first of all protest against the use of an instrument such as this, which implies submission in the relations between two sovereign states. Strictly speaking, every country has the sovereign right to use its money or

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its power as it deems suitable, but here there is an element of intolerable coercion.

A protest should be submitted particularly because the truth is that Peru has never expressed greater "political will" nor obtained greater achievements in the antidrug fight than during the previous year. The U.S. report itself admits this. Besides, despite the kind of certification we have received, for the first time the U.S. executive branch has proposed for Peru a budget that more than doubles that of last year, and which for the first time is larger than that requested for Colombia. This reflects a change in the policy of tactical alliance: a decision to turn Peru and Bolivia, and no longer Colombia, into the key allies in a new strategy.

This would mean working in a more serious joint effort. The half-certification is thus rather surprising. The U.S. Embassy explains the contradiction by saying that it is a deliberate position by the U.S. executive branch to recover credibility in its reports to Congress, and thus achieve more aid in the long run.

In fact, in order for this alliance to work, it is necessary not only to avoid unnecessary expenditures, such as those involved in qualifying the efforts of others, but to reach agreement on a common strategy that will serve as a mutual element of evaluation. Peru cannot be criticized, for instance, as in the U.S. document, for not having eradicated coca crops, because Peru does not feel that it should systematically eliminate coca without replacing it with other crops or activities, as there is a human problem in between. Peru cannot be forced to do what it considers to be inappropriate. This is a perfect example of the prevailing lack of communication.

The first thing needed, then, is to reach an agreement on adequate and shared goals and on a reliable strategy. Only then can fulfillment be demanded. Peru, Colombia, Bolivia, and Paraguay are thus right when they ask for an antinarcotics summit. This commitment includes the United States, because the driving force for the drug trafficking business is the U.S. market, where consumption has increased considerably over the past year, and where no big fish from the said business has been caught.

Uruguay

Foreign Minister Views Move To Increase Mercosur Tariff

PY2103021695 Buenos Aires TELAM in Spanish 1757 GMT 20 Mar 95

[FBIS Translated Text] Montevideo 20 Mar (TELAM-SEM)—Uruguayan Foreign Minister Alvaro Ramos said today that an eventual increase in the Common External Tariff (CET) of the Mercosur [Common Market of the South] could reduce the competitiveness of his country in third country markets. He added that it could also affect the philosophy behind the Treaty of Asuncion.

Ramos returned last night from Europe where he participated at the meeting of foreign ministers of the Rio Group with the EU [European Union]. He made it clear that Argentina has not yet "officially requested to increase the CET," although he admitted "there have been informal contacts."

Notwithstanding, official sources today told TELAM that Argentine Economy Minister Domingo Cavallo phoned his Uruguayan colleague, Luis Mosca, in the past few hours to explain why Carlos Menem's government adopted recent measures and proposed an increase in the CET.

Ramos said: "We have neither a negative nor a positive position," adding: "Concrete proposals will be made on 27 March."

He stressed that "it is not good to give an opinion on matters that have not been proposed officially; neither Uruguay nor Brazil have formally evaluated any proposal by Argentina."

The foreign minister said: "We know Argentina is thinking of adopting certain measures regarding its foreign trade and some of them pertain to the Mercosur, but they come within the list of exceptions that each country submitted."

Ramos said: "We must all realize that the spirit of the customs union must be highlighted, the spirit that Argentina demonstrated when it proposed these trade topics within the Mercosur to the pertinent organizations, in order to discuss decisions and face the changes that come within the Treaty of Asuncion."

He added: "Uruguay must evaluate the situation carefully because an increase in the CET can, on one hand, benefit us from a fiscal viewpoint, but on the other hand, it can harm our competitiveness with regard to third country markets."

Ramos indicated that if an eventual increase in the CET becomes a permanent decision then "it can affect the philosophy behind the creation of Mercosur, which is a customs union open to international trade."

Foreign Minister Ramos Interviewed

FY1803004095 Montevideo EL PAIS in Spanish 10 Mar 95 Section 3 pp 1-2

[Interview with Uruguayan Foreign Minister Alvaro Ramos by unidentified EL PAIS reporter; place and date not given]

[FBIS Translated Text] [EL PAIS] What steps will Mercosur [Common Market of the South] take next?

[Ramos] First we must prevent Mercosur from fading away. While we must work hard, together with the other three countries, to strengthen Mercosur's decision-making bodies, we must also try to put together a good

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Uruguayan team—like the one we have had so far—for the negotiations aimed at streamlining the customs union.

This great team should display the same qualities as the previous one: an earnest approach to negotiations, professional qualifications, and a willingness and flexibility to talk things over and reach agreements, but also decisiveness in defending Uruguayan interests.

[EL PAIS] You say that it is necessary to prevent Mercosur from fading away. What do you mean by that?

[Ramos] I mean that we should be more open toward the possibility of reaching agreements with other regional countries like Chile and Bolivia, and even with other blocs like the EU [European Union] and NAFTA, but at the same time we must preserve this regional bloc that has cost us all time and effort, and not allow it to fade away.

It has taken its toll from all four countries, and from all the social and economic strata in each country, because we all have had to adjust to the rules of the game of a totally new commercial status quo.

[EL PAIS] In mentioning Chile you prompt the following question: How can you reconcile everything you have just said with Chile's fickleness, given that that country was invited to join several times, turned the invitations down, and is now saying that Mercosur is a priority?

[Ramos] Let us take it step by step. First, it is not our business, nor will it ever be, to pass judgement on the political and diplomatic strategy of another country.

In the second place, Uruguay does not oppose Chile's rapprochement to Mercosur. On the contrary, it feels that politically speaking it is very important for our bloc and for the region.

Third, we believe that Chile's stated political will is positive, and will lead to concrete negotiations. At the negotiating table we will establish the conditions that Chile will have to meet in order to join Mercosur. We do not want the benefits that the customs union yielded for the region, and particularly for Uruguay—whose interests we must defend—to be watered down by allowing other countries to join under different conditions.

I repeat, Chile's rapprochement is good and beneficial for the region and for the interests of our economic bloc. We must define the terms for it, and that will require negotiations.

[EL PAIS] In that case, how do you propose to deal with Chile's refusal to abide by the Common External Tariff?

[Ramos] That is part of the negotiating process. We have to negotiate to see whether this is possible. If it is, we must determine how this exception will work to avoid harming our competitiveness.

[EL PAIS] Is 30 June 1995 still the deadline for concluding negotiations with Chile?

[Ramos] I believe that is the case, provided that by 30 June the results indicate that the negotiations have been completed. One thing I have learned from diplomats is that you have to negotiate until the last minute. Therefore, if by 30 June the talks have progressed enough and we are all happy with the results, then that is that. If not, the deadline will have to be extended.

[EL PAIS] In recent years powerful countries have made their will prevail at the UN Security Council, and the OAS appears to have been dodging issues that have to do with basic international laws like self-determination and nonintervention. Uruguay has always staunchly defended these principles, and it is worth asking: How does it expect to continue to do so in this changing world of ours?

[Ramos] Uruguay's position toward these issues will remain unchanged, as a matter of principle and for pragmatic considerations. Uruguay's foreign policy has always been based on principles like self-determination, nonintervention, respect for human rights, peaceful solutions to conflicts, and the strengthening of multilateral organizations.

We will maintain this foreign policy even if the world changes, because these principles are the very essence of our survival as a state. Uruguay has played an international role out of proportion to its size and economic power, because of the seriousness, integrity, and moral standards of its representatives and ambassadors, and the position that its administrations have upheld over the years.

We will not lose this quality. On the contrary, we will enhance it through our staunch faith in our principles and in the increasingly more professional and effective actions of our diplomats.

[EL PAIS] Can Uruguay, such a small country, influence organizations like the United Nations, where five or six powers share the "pie"?

[Ramos] I believe that as long as we continue to view the United Nations as a high-level political forum for the discussion of a variety of issues and for the solution of conflicts that the world must deal with, and as long as our Foreign Ministry representatives are highly qualified people, we will retain our historical clout.

Uruguay's international clout has always been out of proportion to its size and economic power. It has been that way because of the qualifications of our representatives, the principles that they defended, and the fact that our various administrations sought to enhance the quality of our foreign policy.

This administration and President Sanguinetti share this commitment, and it is up to us to implement it properly. The United Nations is a priority for us because in that

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forum Uruguay has some clout, due to its background of integrity, respect for principles, and everything else Uruguayan foreign policy stands for.

[EL PAIS] Will the Uruguayan Foreign Ministry be able to follow this line?

[Ramos] There is a lot of work ahead of us. I have always said that the Foreign Ministry is full of first class professionals and highly qualified personnel. They have to be motivated, they have to be convinced that their professional careers will be respected, that their efforts will be taken into account and duly assessed, and that those who work harder will be rewarded and those who do not work very hard will not be rewarded.

As I said on the day I took over, we must signal that politics will not interfere with professional careers. This means that professionals get rated, get promoted, and get assignments. It also means that I have a personal commitment to the people in the Foreign Ministry to make sure that as long as I am here, everything will be done professionally.

This is also the message I want to convey to my political colleagues to help me fulfill my promise.

[EL PAIS] Europe's ties to this part of the world are considerably stronger than they sometimes appear. You will be traveling soon to a meeting with the EU, and it is worth recalling that the EU has proposed a free trade zone with Mercosur, and so has the United States. What are our priorities as far as our relations with the large blocs are concerned?

[Ramos] Our approach to this must be very pragmatic. We must negotiate our relations with the large blocs on the basis of the commercial and investment opportunities they may give us.

I reiterate an earlier statement: We must protect all that we have achieved and not allow our regional bloc to fade away. We must take careful stock of the impact that an opening may have, and I would like to remind you that Mercosur was never designed to be some kind of fortress, but rather a launching pad into the world.

Pragmatism at its best must be our guiding force, so that we can take advantage of market and investment opportunities. Uruguay and Uruguayan companies need markets, on the one hand, and capital and technology on the other. We must focus our strategy on any source of markets, capital, and technology.

[EL PAIS] Without any bias whatsoever?

[Ramos] No bias whatsoever. Priorities must not be based on political reasons, but rather on where we find the best market and investment offers. The three pillars of our policy must be markets, capital, and technology.

Our relations with the EU, the United States, and Southeast Asia—where we just opened an embassy, because we cannot disregard that region's economic and commercial progress—will be based on those pillars.

[EL PAIS] Mercosur has been defined as a major priority, yet Argentina and Brazil appear to have joined forces recently through a couple of bilateral meetings, and the smaller member countries seem to be watching all this from a distance.

[Ramos] We must keep an eye on these meetings. It is all part of the reality with which we have had to live in the past, and will have to live in the future. Fortunately, Mercosur has shored up its decisionmaking bodies. Decisions are based on the votes of all four countries.

Therefore, even though it is true—and appropriate—that Argentina and Brazil study certain issues at the bilateral level, it is equally essential that these issues be later discussed among the four members. At that point each country will have one vote, and each member country will uphold its position decisively, but willing to negotiate as usual.

I believe that Foreign Minister Abreu played a key role during the previous administration by showing that one can be willing and ready to talk while firmly championing, at the same time, the interests of one's country, and fair regulations for all four partners.

We will follow this course. Streamlining Mercosur is the great challenge that lies ahead of us.

[EL PAIS] Many people are wondering why an agricultural engineer has become foreign minister.

[Ramos] This question has been around for some time. First of all, I would like to say that I have not been appointed foreign minister because I am an agricultural engineer. I have been appointed foreign minister because I am a National Party political leader, because I was the vice presidential candidate for the largest faction of the National Party, and because I am a senator.

The political agreement that gave birth to this cabinet and to Julio Maria Sanguinetti's administration, which is made up of Colorado Party and National Party members, called for all cabinet members to have political clout.

The idea was to share key ministries, to have National Party leaders participate in the drawing up of policies that are the basis for the agreement, and then to carry out these policies at the head of their respective ministries.

Within the framework of Uruguay's new political status quo, the new administration and cabinet are to play the role of a sounding board for the discussion of key political issues that the nation will have to deal with and discuss in Congress.

I am an agricultural engineer by profession, and my specialty is agricultural economics. I worked at the Livestock, Agriculture and Fisheries Ministry for three

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years, and I have been appointed foreign minister not just because of that background, but essentially because I am a political leader.

Central Bank President Discusses Impact of Mexican Crisis

PY2003163195 Montevideo BUSQUEDA in Spanish 2 Mar 95 p 14

[Interview with Central Bank President Ricardo Pascale by unidentified reporter on 27 February; place not given]

[FBIS Translated Text] [BUSQUEDA] What difficulties has the Mexican crisis created for our country's economic policies?

[Pascale] Uruguay did not feel the financial panic that affected other markets. The direct impact of the Mexican crisis did not seriously affect our country. But because of that crisis, it will be more difficult to obtain foreign loans, which will also be more expensive for other Latin American governments and for private companies.

We can then suppose that there will be a certain reduction of our internal demand compared to the past few years, when international financing was abundant and cheap. It is advisable, given the strong connection between tax collection and internal demand and the anticipated heightened difficulties with regard to obtaining foreign loans, to redouble efforts to control our fiscal accounts.

Economy and Finance Minister-designate Luis Mosca has insisted, in my opinion quite correctly, on the crucial importance of maintaining control over our fiscal accounts and imposing a very important austerity in spending. Planning and Budget Director Ariel Davrieux's activities also point in this direction.

[BUSQUEDA] What other effects can you anticipate?

[Pascale] It is possible that the fall in internal demand will be accompanied by a current and commercial account deficit reduction and a better foreign exchange rate, which will help improve the profitability of our exports to the industrialized world, hurt by our currency's over-valuation.

[BUSQUEDA] In the context you are describing, what kind of foreign exchange policy will the Central Bank implement?

[Pascale] The new economy minister has announced a fiscal restructuring with the purpose of reducing the 1995 public deficit, to preserve the consistency of our macroeconomic policies, and to advance toward our goal of stability.

As a consequence, there is no important reason at this time to change our foreign exchange policy.

[BUSQUEDA] Do you mean that the current policy of allowing the limits of the foreign exchange band to slide downward will be maintained?

[Pascale] As I said before, at this time there are no internal reasons to justify a change in the lowering of the foreign exchange band limits.

It will be necessary, however, particularly after the Mexican crisis, to closely monitor the world and regional context wherein Uruguay's macroeconomic policy must develop.

[BUSQUEDA] Your remarks, then, rule out the use of the foreign exchange rate as an instrument to increase companies' competitiveness, do they not?

[Pascale] The problem of loss of competitiveness has complex causes. It has become a general problem in the region in the past few years, and in my opinion it is not resolved with the simple expedient of changing the nominal value of the foreign exchange rate.

In order to attend to this problem, we will implement the support measures announced by Minister Mosca in the Competitiveness Subcommittee. They include the progressive reduction of taxes on productive factors, tax returns to exporters beyond June, and the reduction of company contributions to the social security system.

[BUSQUED[illegible] In December there was a suggestion to change the cur[illegible] foreign exchange anchor for a monetary anchor. Wha[illegible]ill the Central Bank do, ultimately?

[Pascale] The discussion regarding the convenience of using monetary or foreign exchange anchors has not been resolved in the academic literature yet. In our country there are reasons in favor of and against each type of anchor.

The deep and very quick international changes that started at the end of December provoked important changes in the environment wherein our economic policy must develop. After carefully analyzing the new situation, we concluded that it will not be convenient to change the nominal anchor.

The volatile situation with regard to private capital will increase considerably in the next few months as a consequence of the Mexican crisis. It is, therefore, advisable to continue using the foreign exchange as an anchor to prevent erratic movements of capital and give economic agents the predictability they need to make decisions.

[BUSQUEDA] Can the agreement signed between Mexico and the United States stabilize the flow of capital?

[Pascale] That agreement will assure Mexico a more fluid renewal of its public debt stock, which is very large and short term. The agreement will, then, tend to bring more stability to markets. What happens from then on will depend on the strength and consistency of the Mexican Government's policies and the markets' interpretation of those policies. The markets, ultimately, will have the final word.

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[BUSQUEDA] Are you optimistic about the possibility of foreign investments in Uruguay?

[Pascale] Of course. That optimism is based on our favorable prospects for reforming the social security system and the state, and the administration's clear decision to control our fiscal accounts.

When there is a crisis like the Mexican crisis, all countries seem to pose a special risk in the eyes of investors. When the first effects of the crisis clear, investors will start distinguishing each country's different reality.

Our country is an example. Uruguayan public debt notes went up in the local market during the financial panic, while the Euronotes issued in international markets remained relatively stable. I think Uruguay should stress its own characteristics to confirm its good reputation in international markets.

But we must insist on maintaining a basic macroeconomic balance and our fiscal and monetary discipline, and on introducing micro-economic reforms, which encourage the accumulation of capital and technology. This is the path we have chosen, and we trust we will obtain positive results.

Biographies of New Cabinet Members Detailed

PY1803025495 Montevideo EL PAIS in Spanish 19 Feb 95 Section 1 p 16

[Unattributed article: "Who's Who in the Future Cabinet"]

[FBIS Translated Excerpt] The members of the cabinet were confirmed last week. President-elect Julio Maria Sanguinetti commented that it is the youngest team of ministers in the history of Uruguay, considering that the average age of the ministers is between 44 and 45. The new cabinet includes eight people from the Colorado Party (including Samuel Lichensztejn, who is a member of the PGP [Party of the Government by the People], a sector that joined the Batllista Forum); four members from the National Party; and one independent (Federico Slinger, who has always been a member of the Civic Union). EL PAIS today presents a brief biography of those who will be responsible for government leadership in the various ministries.

Benito Stern Pac, 57, a real estate businessman who was born in Punta del Este, is married to Maria Cristina Gonzalez and has two children. He will be tourism minister.

He is closely linked to the tourist sector. Between 1963 and 1967 he was vice president of the Local Punta del Este Council, and between 1967 and 1971 he was president of the National Tourism Council.

He was elected mayor of Maldonado during the 1984 elections and occupied the post for 5 years.

In 1990 he was named director of the National Telecommunications Administration, ANTEL, and resigned in 1993 to go into politics.

In his role as mayor of Maldonado he participated in numerous congresses, conferences, and seminars linked to the municipal and tourism sectors. As head of ANTEL he participated in several meetings pertaining to telecommunications. [passage omitted]

Luis Mosca Sobrero, 42, married, will return to head the Economy and Finance Ministry. Between 1985 and 1989 he held the post of economy under secretary when Ricardo Zerbino was minister.

Mosca graduated from the Economic Sciences and Administration College in 1980 with the title of economist, with a bachelor's degree in economics.

He has held the post of director of APEX Consultants, which provides services to over 100 enterprises that have their headquarters in Uruguay; he is a director of and adviser to private enterprises in the economic-financial sector; he is a consultant for international organizations; and he is an assistant for the course in fiscal policy at the Economic Sciences College.

Between 1986 and 1989 he was also president of the Investment Development Commission.

Among the works that he has published are [words indistinct] and "Economic Discourse and Government Experience."

Juan Chiruchi Fuentes, 47, a farmer, is married to Andrea del Pilar Noya and is the father of two children. He has accepted the post of minister of housing, land improvement, and environment.

Chiruchi participated in student union activities as president of the Maragata Association of Lyceum Students. He was a founding member of the Rotaract Movement in San Jose Department, and was president of Interact, the Rotary youth branch.

He was a member of the Fiscal Commission of the Association of Milk Producers of San Jose Department, and was linked to all the union activities of the producers of that department. He has also been a public official, having occupied the post of manager of the Maccio Theater between 1973 and 1975.

In 1975 he was named general secretary of the municipality of San Jose, and in 1984 and 1989 was elected mayor of that municipality, representing the Herrera sector of the Nationalist, or Blanco, Party. He was president of the National Congress of Mayors in 1990.

Since 1990 he has been on the board of directors of the Herrera Sector, having held the post of secretary. In July 1994 he was a candidate for the vice presidency for the Herrera Sector, and was elected senator.

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Ana Lia Pineyrua will hold the post of labor and social security minister.

She is 40 years old, married, with two children. In 1979 she graduated with a doctorate in law and social sciences, and from that time has been involved with the Administrative Law School and with the magazine of the Legal Process Institute.

In 1982 she graduated as a notary public, and exercised both professions until 1985, when she became a member of the Honorable Directorate of that association.

In 1985 she became a member of the Rocha National Movement and of the Montevideo Departmental Executive Committee. In 1989 she occupied a seat in the Chamber of Representatives, where she carried out intensive activities on the Social Security Committee, the Special Committee for the Study of the Condition of Women, the Special Committee for Public Enterprises, the Constitutional and Legislation Committee of the General Assembly, and the special committee for the study of topics pertaining to bioethics.

She has represented Uruguay on various missions abroad, having done an outstanding job at the 11th EU-Latin American Parliament Inter-Parliamentary Conference. [passage omitted]

Federico Singer, accountant, has accepted the post of industry, energy, and mines minister.

Singer, married to Maria Angelica Argibay, received his title as public accountant in 1956, was elected dean of the Economic Sciences College in 1986, and occupied this post until March 1972. On several occasions he acted as the representative of the Assembly of Teaching Staff of that college.

In 1971 he visited several U.S. universities to evaluate the study programs of the various administration and economics schools. Since 1990 he has been a teacher at the Catholic University, and is also a teacher for the business sciences class at the Saint Catherine School.

For some 15 years he has occupied managerial posts in several of the country's banks, and in April 1985 was named president of the Bank of the Oriental Republic of Uruguay, a post that he occupied until June 1990. In this post he was a director of banks in which the Bank of the Republic had shares, and within this framework occupied the presidency of the Eulabank from November 1986 to November 1988.

Since July 1990 he has occupied the post of president of the B.N.P. Financial House, a subsidiary of the Banque Nationale of Paris. As of 1990 he has also been writing editorials for the weekly CRONICAS ECONOMICAS. He currently occupies the presidency of the CEDES (Study Center for Economic and Social Development).

Didier Opertti Badan, 57, will take over as interior minister. He is a lawyer, is married to Liliana Belando, has four children, is a professor of private international law at the University of the Republic and the Damaso Antonio Larranaga Catholic University, and is a member of the staff of the Law College.

Over the past four years he has carried out intensive activities in the diplomatic sector. Between 1979 and 1981 he was director of the International Law Office of the OAS in Washington; between 1988 and 1993 he was Uruguay's permanent ambassadorial representative at the OAS, where he occupied the post of president of the Permanent Council and of the important Legal and Political Affairs and Regional Integration Committees.

He was a convention member for the Colorado Party, and co-drafter, in the area of foreign relations, of the 2000 Program of the Batllista Forum. Opertti has given courses in Sweden, Belgium, Holland, and Spain, and at the International Law Academy at The Hague. Between 1979 and 1981 he was director of the international law course at the Inter-American Legal Committee of the Gertulio Vargas Foundation in Rio de Janeiro.

He presided over the Inter-American Conference on Private International Law in 1989, and is vice president of the Private International Law General Commission at The Hague. He is the author, among others, of the publications "International Civil Legal Cooperation," "Requests and Embargoes Related to Foreign Assets," "Adoption and International Trafficking in Minors," and "International Penal Cooperation." In 1994 he also co-authored the course on international penal rights.

He was also a drafting member of the Inter-American Mutual Assistance in Penal Affairs Convention of 1992, and was the negotiator for the bilateral agreements on this topic that our government signed with the United States and Canada in 1991 and 1994.

Ariel Davrieux, accountant, will for the second time be the director of the Planning and Budget Office.

During Julio Maria Sanguinetti's first term as president, Davrieux held this post for 5 years.

During his years as a professional, Davrieux has been director of the Statistics and Census Office, and has been a professor at the Economic Sciences College, where he was a representative of the Teaching Staff before the various organizations of that college.

He is a member of the group of economic advisers of the Batllista Forum.

Carlos Enrique Gasparri Irazabal, current vice president of the Uruguayan Rural Association, will be named by president-elect Julio Maria Sanguinetti as minister of livestock, agriculture, and fisheries in the cabinet that will assume power on 1 March.

Gasparri, 42, an agricultural expert and father of four children, has vast experience as a businessman and in union activities in the agricultural sector. He was president of the Uruguayan Rural Association for the 1990-92 period, and in 1994 was elected vice president of that organization.

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He is director of the Hereford Breeders Society, and a delegate for the Rural Association at the Exporters Association. He is also secretary general of the South American Silvicultural Societies, an organization that groups 15 producer organizations in the region. He has also been a delegate of the Rural Association to INAC [National Meat Institute], and has been a judge of the Charolais breed at fairs in Uruguay, Argentina, and Brazil.

Raul Iturria Igarzabal, 59, a lawyer, is married to Mary Isabel Campiglia, has six children, and will occupy the post of national defense minister in Sanguinetti's cabinet.

Iturria obtained his degree as a lawyer in 1962, specializing in administrative law and administration sciences. He has participated in several courses on local administration in Uruguay, Argentina, and Germany. Within the professional sector he has practiced as a lawyer in the private sector, as an adviser to ANCAP [National Administration of Fuels, Alcohol, and Portland Cement] during the 1960's, and as adviser to the Mortgage Bank.

He was elected mayor of Durazno in 1972 and in 1990. In the recent elections he was elected senator. During his tenure as mayor he made a special effort to promote forestry.

Alvaro Ramos is an agricultural engineer and will be the next foreign minister.

Ramos, 44, married and the father of four children, obtained his title at the Agricultural College of the University of the Republic, specializing in agricultural economy, formulation and evaluation of projects, and the administrative development of enterprises.

He was the vice presidential candidate on Alberto Volonte's presidential ticket and was elected senator.

Between 1990 and 1993 Ramos was minister of livestock, agriculture, and fisheries. He was also a consultant for the IICA [Inter-American Institute for Agricultural-Livestock Cooperation] regarding the evaluation of the need to institutionally strengthen municipalities in the interior within a program implemented by ALADI [Latin American Integration Association], the OAS, and the IDB [Inter-American Development Bank], among other organizations. [passage omitted]

Venezuela

Agriculture Minister Resigns; Other Changes Expected

PA2103185595 Paris AFP in Spanish 1733 GMT 21 Mar 95

[FBIS Translated Text] Caracas, 21 Mar (AFP)—According to official reports, Agriculture Minister Ciro Anez Fonseca today tendered his resignation to President Rafael Caldera, making this the third resignation in the Venezuelan ministerial cabinet.

Ministerial changes began one month ago with the resignation of Finance Minister Julio Sosa Rodriguez, who had been the president's right-hand man. He was replaced by dissident Social Democrat Luis Raul Matos Azocar.

Development (Industry and Commerce) Minister Alberto Poletto made his resignation official over the weekend.

Although Caldera has not yet officially appointed their replacements, Miraflores Presidential Palace sources say that Justice Minister Ruben Creixems and Planning Minister Mercedes Pulido de Briceno will be released.

Industry, Commerce Minister Says Resignation 'Final'

PA2103042895 Caracas Venezolana de Television Network in Spanish 1550 GMT 20 Mar 95

[Report by Pedro Prado from "The News" newscast]

[FBIS Translated Text] As announced, Industry and Commerce Minister Alberto Poletto arrived very early this morning at Miraflores Palace to meet with President Rafael Caldera and officially tender his resignation. The resignation, as Minister Poletto said himself at Miraflores Palace, is final and was not requested by the president.

[Begin recording] [Unidentified reporter] What will you do now?

[Poletto] I will do what I have always done. I am ready to work with the government.

[Reporter] Will they offer you another job?

[Poletto] I do not know.

[Reporter] Will you remain at the Foreign Trade Institute?

[Poletto] I do not know yet. I have to speak with the president. We have not reached any specific decision. What I do know is that I will always be ready to continue working and cooperating with the president.

[Reporter] Is the resignation final?

[Poletto] It is final. [end recording]

The outgoing minister of industry and commerce said he was unaware if the government intends to offer him a job locally or abroad.

Central Bank Presents Plan of Action

95SM0219A Caracas EL UNIVERSAL in Spanish 12 Feb 95 Section 2 p 1

[Article by Giuliana Chiappe]

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[FBIS Translated Text] The financial crisis is already one year old, and the depositors continue waiting—in front of various banks—for their turn to be able to recover their money. Five banks have been nationalized and 12 are awaiting liquidation, without any guarantee that these actions will apply the brakes to the debacle that began with the audit of the Banco Latino in January 1994.

The Central Bank of Venezuela [BCV] detected problems with the current management of the crisis and developed a plan outlining the strategy that should be adopted in connection with the collapse of the banking system, which is bringing down the nation's entire economic structure. This plan—set forth in a report consisting of 11 pages and three schematics—was presented by BCV President Antonio Casas to the Finance Ministry for transmission to the president of Venezuela.

The BCV begins its report by pointing to the "extremely urgent necessity" for applying this strategy. The steps to be followed, it says, should be directed "toward the objective of achieving stability in banking over the short term while simultaneously initiating an in-depth reorganization that will ensure a sound and efficient banking system—one that can be a factor in the development of the nation's economy."

"This sense of urgency," the BCV states in its report, "is created by the negative impact of banking instability on the continuity of the nation's system of payments—an impact that would have profound economic, social, and political consequences. An immediate transformation of the institutional and legal framework of the banking system is therefore unavoidable, together with the application of a coherent and integral plan for concrete actions."

The actions to be taken are divided into three time periods: the period of the most urgently necessary actions, which are to be implemented immediately; the period of those actions which are to be implemented within two months; and the period of those actions which are to be implemented over the medium term.

For Immediate Implementation

According to the BCV, one of the measures requiring immediate implementation provides for appointing three full-time board members to replace the seven members who currently comprise the Financial Emergency Board, which would have the authorization of the president of the Republic and a series of prerogatives designed to a) facilitate its action; b) develop a more coherent information system; c) establish set rules for replacing bank managers; and d) establish set actions to take with regard to insolvent financial institutions.

The immediate actions that the BCV recommends in its report to the president of the Republic are as follows:

1. Designate a single temporary banking authority to replace the Financial Emergency Board. This authority would have the following characteristics:

a. It would consist of three full-time board members, one of whom would serve as chairperson with cabinet rank.

b. The members would possess the appropriate technical credentials.

c. They would be appointed by the president of the Republic.

d. They would exercise supreme authority over the Superintendency of Banks and also over Fogade [Deposit Guarantee and Bank Protection Fund], including the appointment and dismissal of the superintendent of banks and the president of Fogade, who would thereby become mere executors of the directives of the banking authority.

e. They would have immunity in trials for abuse of authority.

Under the plan as presented, the BCV would provide technical support, physical space, and contact with international organizations. In justifying its recommendation, the BCV cites the difficulties that are inherent in the Financial Emergency Board with respect to managing the situation, and also the dynamism that a small group of individuals would provide.

2. Introduce the plan to public opinion as one package, calling attention to the following aspects:

a. The support that the plan has at the highest political level.

b. The reasons for the adoption of the measures.

c. An explicit statement as to the financial cost of the crisis, the distribution of that cost among the various sectors, and the period over which the cost will be spread.

3. Ensure consistency in the release of information to the public.

In the two measures presented in the strategy plan, the Central Bank seeks the support of public opinion and the establishment of a more consistent information system than the present one, using single spokespersons who would represent the supreme financial authority.

4. Establish a set rule for the replacement of bank managers. This would entail:

a. Responsibility would lie with the banking authority.

b. Prevent insolvent banks that have no possibility of recovering without government assistance from continuing to operate under their present managers.

c. A conservative quantitative limit should be tentatively established immediately upon discovery of losses equal to more than half of a bank's assets.

d. A bank's shareholders would have a peremptory period in which to replace the losses only if the losses do not exceed twice the bank's assets.

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5. Establish alternative actions to take with respect to insolvent banks.

a. When a bank's insolvency exceeds a certain limit (for example, four times its assets), steps should be taken to liquidate the bank in question.

b. If a bank's circumstances make its closure inadvisable, and if its insolvency is within an intermediate range, it should be nationalized and its rehabilitation should be attempted.

c. In cases of moderate insolvency that are less than twice the bank's capital, a merger with—or purchase by—other banks should be attempted, with government assistance.

6. Create a technical structure to support the single authority.

a. This structure would function in parallel with the Superintendency of Banks, with a view to forming the nucleus of the new Superintendency.

b. It would consist of full-time personnel from the Superintendency, Fogade, and the BCV together with new personnel who basically have experience in firms that conduct audits.

7. Hire outside advisory firms.

a. The single authority should centralize all activities in connection with this matter.

b. In particular, it should hire a specialized team to assist in training the technical cadres.

c. This team should remain in Venezuela and assist the government trainees on their visits of inspection.

8. The single authority should hire outside auditing firms in those cases where it is deemed advisable.

a. It should do so especially in specific cases that involve the inspection of computer systems.

b. These auditing firms should be paid by the banking authority.

The objective of the Central Bank in taking these immediate actions is to concentrate, in the single authority, the human resources that examine these institutions and to apply modern methods in supervising the banks.

10. [as published] Adopt these measures—insofar as possible—as a single package, at one time, and on the date most proximate to the date of the creation of the single banking authority. This measure is justified by the need to establish an expedient with respect to the emergency, and to put the single authority in genuine control of the situation.

11. Reinstitute the system of consultations between the banking authority and the Central Bank—consultations that were called for in the General Law on Banks and Other Financial Institutions.

The justification is the need to maintain the coordination necessary between the monetary and exchange policies of the Central Bank, on the one hand, and the financial authority.

A Time Limit of Two Months

According to the report, two months is the maximum period of time that the BCV believes should be allowed for implementation of the intermediate actions such as the reorganization of the financial agencies of the state and the auditing and evaluation of the banks.

The BCV plan establishes the following intermediate actions:

1. Reorganize the technical supervisory structures.

2. Draft a new manual for bank examiners.

3. Institute a more detailed evaluation of the financial institutions.

The goals to be achieved by taking these three actions are, basically, to increase vigilance in the banks, improve their inspection, and consolidate the experience learned from this crisis at such a high price.

4. Define the characteristics of the desired banking system.

a. Define the task to be accomplished once the short-term instability is corrected.

b. The single authority, the Treasury, Cordiplan [Office of Coordination and Planning], and the BCV should participate in the elaboration of that task.

c. The definition of the role of foreign banking in our country, and the definition of the role that our banks would play in foreign countries, should be of equal importance.

d. The corporate structure of the banking system should be studied, and open forms of stock ownership that would provide for internal controls in banking operations should be encouraged, including participation by minority shareholders in the management of the banks.

5. Issue new, prudent regulations, including:

a. New bookkeeping standards that will generate more trustworthy reports, with the aim of achieving greater transparency in the banking information that is imparted to the public.

b. Standards for mergers and universal banking. Their promulgation should be speeded up, while safeguarding the strictest technical standards in order to prevent the spurious capitalization of applicants.

c. Broaden and modernize the classification of risks, in order to ensure that the risks are accurately reflected in the bookkeeping.

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6. Define the parameters of the activities of the nationalized banks, with the following objectives in view:

a. Standards for specific activities, with emphasis on the quality of credit policy, service to customers, and reduction of operating costs.

b. Revision of the plans for rehabilitating each of the banks that were recently nationalized by the banking authority in order to make them consistent.

c. Under the direction of the single authority, Fogade will be preserved as a shareholder in the nationalized banks, while the supervisory area will maintain vigilance similar to that of the private banks.

d. A coordinated schedule for reprivatization.

The BCV presumes that this action will make it possible to present the state banks as "paradigms of good banking," in order to keep the public from perceiving bad management on the part of public institutions.

7. Develop models for liquidations within legal standards. These models would be developed under the direction of the banking authority, in order to facilitate liquidations in a transparent manner with a view to establishing internal controls.

8. Restructure Fogade by concentrating its activities on the liquidation and privatization of the banks and assets that it receives. In its plan, the BCV does not prevent Fogade from creating the mechanism it wants for the assets inherited from the banks that collapsed because of the crisis.

9. Arrange cooperation agreements with other supervisory entities.

10. Obtain congressional approval with respect to:

a. Speedy approval of the legal reforms.

b. Approval of budgets and indebtedness that pertain to the plan.

c. Political support for the single authority.

11. Speed up compliance with judicial decisions such as arrest warrants and similar court orders without distinction as to the individuals involved. The Central Bank hopes thereby to reduce the impression that crimes are going unpunished. This would also increase the Bank's public support, which throughout the program seems to be a source of concern to the BCV.

12. Create a specialized multidisciplinary team to support the judges who will try the cases of banking crimes.

A Little Bit Farther

According to the BCV, the actions that can be carried out in the medium term are basically:

1. Consider incorporating the Superintendency of Insurance into the sphere of the single banking authority, in order to impart greater coherence to the government's action.

2. Increase banking vigilance abroad. The justification for this measure is the need to have a correct interpretation of the risks assumed by the financial institutions.

3. Establish mechanisms for coordination among the state entities that are linked to the financial area. These would be the Treasury, the BCV, the single banking authority, the National Securities Commission, and the Superintendency of Insurance.

4. Withdraw the bill to reform the Law for the Protection of Depositors and Regulation of Emergencies in Financial Institutions, and petition the National Congress to repeal the existing law.

The justification for keeping this law in effect contradicts the overall, long-range character of the proposed plan, because it is a measure dictated by the emergency.

In the following medium-term actions, the Central Bank recommends introducing in Congress a bill for the temporary restructuration of the banking system over a period of three years; for authorizing the transactions between Fougade and the BCV (debts) to be carried out on a preferential basis; and for creating a special system for the liquidation of assets of the Fund.

The Central Bank also proposes the introduction of a partial reform of the general laws pertaining to banks and the national savings and loan system; consideration of measures to reform the laws governing the capital and insurance markets; and a study of the advantages of a law governing corporations.

Congress Approves Privatization of CVG Basic Enterprises

PA2103194395 Caracas ECONOMIA HOY in Spanish 16 Mar 95 p 11

[Article by Taynen Hernandez]

[FBIS Translated Text] With no parliamentary surprises, the Bicameral Finance Commission agreed yesterday to authorize the privatization of the six basic Guayana enterprises which was proposed by the Venezuelan Investment Fund (FIV) and the Venezuelan Corporation of Guayana (CVG). The Radical Cause [CR] Party voted against the privatization proposal.

The parliamentary decision is conditioned on the presentation by the FIV of a monthly report on the progress of the privatization of Alcasa [Caroni Aluminium, Inc], Sidor [Orinoco Iron and Steel Works], Fesilven, Carbonorca [expansions unknown], and Bauxilium-Venalum [Aluminum Company of Venezuela, Inc.]. The privatization of each individual enterprise must have the prior approval of Congress.

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According to a report approved by Congress, the FIV "should request—before granting its approval and before proceeding to a partial or total sale—Congress' approval for which it must submit a copy of the draft sales contract for each one of the enterprises."

The brief document also mentions the Bauxilum-Venalum merger currently under way. In this regard, the need to conclude this merger before proceeding to the privatization of this integrated organizatino is ratified.

A week ago, Erwin Arrieta, the president of the corporation, admitted the possibility of calling off this merger, begun in 1994.

In this regard, Deputy Gustavo Marquez commented that once the privatization of CVG is authorized, this merger cannot be changed. "Otherwise they will have to come back to Congress as this is a process that is quite advanced."

With almost a three-hour delay, senators and congressmen opened the session in which they approved the privatization proposal with the agreement of the National Convergence, AD [Democratic Action], MAS [Movement Toward Socialism], and Copei [Social Christian Party]. Copei Senator Haydee Castillero, who cast a dissenting vote, said: "They want to steamroll this through. This is the last time I will accept this situation," she threatened.

Meanwhile, (Copei) Senator Gustavo Tarre Briceno said: "The real debate will come when they have to approve each case."

CR Deputies Bernardo Alvarez and Luis Lizardi justified their faction's negative vote with the argument that the government's privatization proposal makes reference to "a plain and simple sale," contrary to what is set out in the Ninth National Plan.

"There are significant inconsistencies in the perception of the economic situation of the branches; the proposal is based on the assessment made by the very enterprises," they said.

They also pointed out that the financial statements that were presented "are not in keeping with reality as historical and nominal values were used," without taking inflation into account.

In the wake of the decision by Congress it is expected that the CVG and the FIV will proceed to hire consulting firms which will carry the studies as well as the appropriate procedures to be adopted for this privatization. Thus the case of Sidor's split into three parts will be assessed by two consulting firms.

Banks To Restrict New Accounts To Reduce Liquidity

PA1903040695 Caracas Venezolana de Television Network in Spanish 0200 GMT 18 Mar 95

[From the "The News" newscast]

[FBIS Translated Text] The country's financial authorities are concerned because bank rates are being affected by the interest on documents used for monetary stabilization.

Banking Association President Jose Maria Nogueroles has said that the national banking system will continue to restrict the opening of new accounts because no interest can be paid on them. Nogueroles said the excess liquidity in the market has put the sector in a very tight position and, for that reason, the Central Bank must issue new securities to reduce liquidity so the system can invest its surplus.

[Begin Nogueroles recording] The Central Bank has done a fine job. We should continue to use the instruments with which we are familiar. [end recording]

Nogueroles denied that guerrillas had opened accounts in Provincial Bank. He added that all managers have been specifically instructed to check the origin of deposited funds.

Government Supports Ruggiero's Candidacy for WTO

PA1703154295 Madrid EFE in Spanish 2240 GMT 15 Mar 95

[FBIS Translated Text] Caracas, 15 Mar (EFE)—Venezuela's official press agency VENPRES said today that Venezuela will support Italy's former Foreign Trade Minister Renato Ruggiero, who is the EU [European Union] candidate to the WTO general directorship.

Sources from Venezuela's Foreign Affairs Ministry pointed out to the agency that this decision was made following the withdrawal of former Mexican President Carlos Salinas de Gortari's candidacy.

The WTO director general is usually elected by consensus, but an inability to do so today forced current WTO Director General Peter Sutherland to remain in the post until 30 April, when the 125 GATT member countries must reach an agreement.

The other candidate to this post is South Korean Kim Chul-su, who is supported by Japan and other Asian countries.

Interior Minister Remarks on Existence of Subversive Plans

PA2103150995 Caracas Venezolana de Television Network in Spanish 0200 GMT 21 Mar 95

[Report by Pedro Prado from the "The News" newscast]

[FBIS Translated Text] Interior Minister Ramon Escovar Salom has neither affirmed nor denied that the aborted subversive plan is the reason why the government has maintained the suspension of personal constitutional rights. He added that the government gains nothing by inventing a subversive plan and does not deny that there are a series of

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problems. The interior minister assured that he had proof that disorders were planned but said the government has not accused any individuals in particular. He did say, however, that certain groups are responsible.

[Begin Escovar recording] This is the work of groups which hope to create disorder in various parts of the country. In Congress the Disip [Directorate of Intelligence and Prevention Services] director mentioned the names of a few of them. I am not about to repeat what the Disip director said. [end recording]

To avoid contradictions, the interior minister said that hooded groups will continue to be dealt with during illegal public disorders and also announced that he has forbidden the Disip from conducting raids while wearing ski masks.

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